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World Cup writer
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FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND JULY 16/JULY 17 1994

D8523A

Rabin and Hussein set date for US summit meeting

The Mideast peace process was given fresh impetus by the announcement that Israeli prime minister Yitzhak Rabin is to meet King Hussein of Jordan in Washington on July 25, in the first public summit between the Israeli and Jordanian leaders. Israel also made overtures to Syria on the eve of a peace shuttle by US secretary of state Warren Christopher. Page 3

US West appeared poised to become the first of the six US regional telephone companies to enter the US cable television business, after agreeing to buy two Atlanta-based cable systems for \$1.2bn in cash and shares. Page 11

Trade gap shock for Japan: Japan's trade gap widened by 14.9 per cent to \$11.35bn in the year to June, a serious blow to Tokyo's belief that the surplus had peaked. Page 4

25m Sutton breaks football transfer record



Norwich City striker Chris Sutton, 21, (left) ended weeks of speculation when he finally signed for Blackburn Rovers for £3m (\$7.6m), a British football transfer record. The previous record fee of £2m was paid last year by Rangers to Dundee United for Duncan Ferguson. Confessions of a temporary sports writer. Wkd I; World Cup, Wkd XII

Washington hits at Haiti: A White House national security official accused Haiti's military leaders of ruling through a reign of terror. No sign of comfort in the south. Page 9

Texas Instruments, US semiconductor and electronics manufacturer, reported record second-quarter results, driven by strong sales of semiconductor products which pushed net revenues up to \$2.6bn. Page 11

Blair vow on political shake-up: UK Labour leadership favourite Tony Blair committed the party to parliamentary reform, devolution and human rights legislation. Page 24; Straight talker, Page 6

C&G hopeful: Cheltenham & Gloucester building society said it was confident it could devise a scheme to enable the takeover bid by Lloyds Bank to go ahead without recourse to an appeal against last month's High Court judgment. Page 24 and Lex; Complex calculations, Page 7

WTO headquarters: Geneva is expected to be chosen in preference to Bonn, as the site of the World Trade Organisation headquarters. A decision is due next week. Page 2

Ulster ambush: Three police officers, a prisoner and a passing motorist were injured in an ambush an unmarked police car near Dungannon, Northern Ireland.

NHS reform praised: The UK government's reforms of the National Health Service have increased its efficiency and are producing "increasingly encouraging results", the Organisation for Economic Co-operation and Development said. Page 7

Sino-Thai deal: A joint venture of Germany's Siemens group and Italian-Thai Development, the leading Thai construction company, was awarded a contract worth \$1.1bn to build what is expected to be Bangkok's first urban rail system. Page 4

N Korea seen as threat: Japan's Defence Agency said North Korea's weapons programme was a "serious destabilising factor" in east Asian security. Page 4

Alde in 'sacking' row: The UK government was embroiled in a dispute with a junior ministerial aide Tim Devlin about whether he had resigned or been sacked "for general ineffectiveness". Page 7

Plea to law lords: Former Nissan UK managing director Michael Hunt was given leave to appeal to the UK House of Lords against his conviction of involvement in a £55m (\$83.6m) corporation tax fraud. Hunt was jailed for eight years in July last year.

Jupiter's big bang: A series of explosions each bigger than the force of the world's entire nuclear arsenal is expected tonight as giant fragments of a comet crash into Jupiter.

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Luxembourg PM approved by consensus despite misgivings of MEPs

Santer is chosen to succeed Delors as Brussels chief

By Lionel Barber and Emma Tucker in Brussels

European Union leaders last night settled on Mr Jacques Santer, the prime minister of Luxembourg, as a compromisive choice to succeed Mr Jacques Delors as president of the European Commission.

Mr Santer, a 57-year-old Christian Democrat, was approved by consensus at a special summit in Brussels, despite misgivings in the European Parliament and lingering resentment about the UK veto last month of Mr Jean-Luc Dehaene, the Belgian premier and one-time favourite.

At a news conference, Mr Santer stressed that he had not sought the job of president, but felt obliged to come forward as a compromise candidate. "Just because someone comes from a small country, that does not mean they cannot become a big president," he said.

Chancellor Helmut Kohl of Germany, a friend of Mr Santer's for 20 years, said his appointment would not halt the process of European integration laid down by the Maastricht treaty. "We see no majority in the EU for stopping or going back."

Firmer US bonds help lift dollar

By Philip Gash

Firmer US bond markets yesterday helped the dollar continue its cautious recovery on foreign exchanges.

Earlier in the week, the US currency had fallen to fresh lows against both the yen and the D-Mark after last weekend's decision by the Group of Seven leading industrial nations not to announce any programme of dollar support.

The improved inflationary outlook in the US supported the bond market and spread to the UK, where the Bank of England yesterday announced a long-dated conventional gilt auction after a period of shorter term,

Mr John Major, UK prime minister, described Mr Santer as a wise choice who was committed to free trade, free markets, decentralisation and enlargement of the Union. "He is well able to reconcile the conflicting views around the European table."

The appointment of the low-profile Luxembourger who has served as prime minister since 1984 confirms the recent

trend toward devolving power

from the Commission in Brussels to the member states - a process underlined by Mr Kohl who said he did not see a centralised European state emerging in future.

During his five-year term, Mr Santer will nevertheless have an important role to play in preparing for the 1996 Maastricht review conference, consolidating the enlargement of the Union to the Nordic and Alpine states and laying the groundwork for European monetary union and expansion of membership to the new democracies of Central Europe.

Mr Santer is the second Luxembourger to rise to the top executive

post. Mr Gaston Thorn, the former prime minister of the Grand Duchy, preceded Mr Delors between 1980-84. A finance expert, Mr Santer played a useful role in preparing the 1986 European Single Act and the 1991 Maastricht treaty.

His elevation marks the end of a dramatic contest to succeed Mr Delors, who started as a relatively little known international politician, but who became the driving force behind the Single European Act, the European Economic Area and the project of the Maastricht treaty to create a single European currency by the end of the century.

Mr Santer emerged as a compromise after better-known candidates were either blocked or declined to come forward.

Germany, which holds the rotating presidency of the EU, called yesterday's special summit to break the deadlock and avoid a crisis with the European Parliament, which under the Maastricht treaty has the power to block the appointment.

Mr Kohl courted leading MEPs before the summit and at the news conference he stressed on several occasions the importance of the parliament as an institu-

tion alongside the member states and Commission. As a result, MEPs seem unlikely to exercise a veto at their inaugural session in Strasbourg next week, but they may complain about the selection process.

Mr Dehaene raised this issue

before the summit, criticising the UK veto as bad for Europe and warning that the EU could not operate on the basis of vetoes.

"This will certainly leave marks... it is not about bilateral or personal relations, but about the functioning of the Union."



Mr Jacques Santer arriving for yesterday's EU summit, where he was elected the next president of the European Commission

Italy's PM defends release of corruption suspects

By Andrew Hill in Milan

The Italian authorities yesterday began releasing bribery and corruption suspects from prison, as a controversial new decree limiting magistrates' use of preventive detention took effect.

Mr Silvio Berlusconi, prime minister, angrily defended the two-day-old decree after attacks by opposition politicians, magistrates and the press. He said in Rome that the decree would "prevent the country turning into a police state".

Italy's best-known investigating magistrate - the Milan-based *mani pulite* ("clean hands") team - said on Thursday they would resign from the anti-corruption unit in protest. Magistrates in Genoa yesterday also refused to handle cases affected by the decree, which ban the use of preventive detention in bribery and corruption investigations.

It is estimated that the decree could affect up to 2,000 people in preventive detention. Most of them, including a dozen top Italian executives for whom arrest warrants were issued on Thursday, will be put under house arrest instead.

Mr Bettino Craxi, former socialist prime minister under suspicion in a number of corruption investigations, will also face house arrest, rather than imprisonment, if he returns from self-imposed exile in Tunisia.

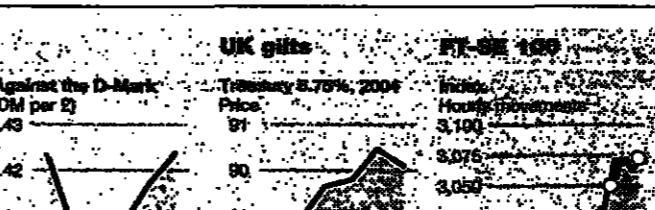
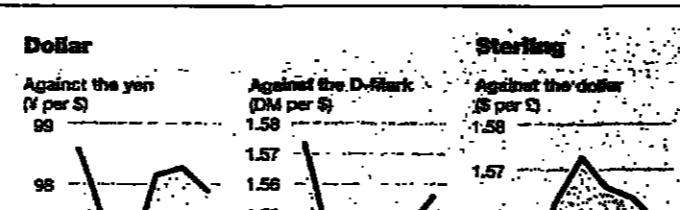
One of the first suspects released yesterday was the wife of Mr Duccio Poggiani, a former health ministry official who allegedly received bribes from six drug companies in exchange for favours. She said she had experienced "eight barbaric months" in a Neapolitan prison.

The decree needs parliamentary support to survive and faces a rough ride from the opposition and from Mr Berlusconi's coalition partners, the regionalist Northern League. The justice and interior ministers both suggested yesterday that it could be amended.

"We don't issue decrees that are valid for eternity and cannot be discussed," said Mr Alfredo

Continued on Page 24

Berlusconi's run of luck, Page 2



Revenue to publish inspectors' secret tax assessment manuals

By Andrew Jack

The Inland Revenue is to make public the secret tax manuals used by its inspectors as the basis for their assessments, as part of the drive for open government.

The move comes in the wake of the code of practice on government information, which became effective in April this year. It requires departments to publish information, give reasons for administrative decisions and respond to requests for information.

Tax professionals yesterday welcomed the decision. Some, however, expressed scepticism over whether the most sensitive information on the interpretation of tax and tactical advice to inspectors would be disclosed.

The Revenue said it would reserve the right to withhold

information it considered to be prejudicial to the administration or collection of tax, in line with special exemptions to the code.

Information likely to be withheld includes legal opinions commissioned internally, advice provided by officials to ministers and details of tax avoidance and evasion schemes which come to its notice.

Promisely, some out-of-date copies of the inspectors' manuals have found their way into the offices of the larger accountancy firms, generally when they have hired ex-Revenue officials.

Mr Roger White, head of tax at accountants KPMG Peat Marwick, said: "This is undoubtedly a major step in the right direction. I welcome the idea of making the manuals public."

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prejudicial to the administration or collection of tax, in line with special exemptions to the code.

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NEWS: INTERNATIONAL

German state minority rule coalition deal

By Michael Lindemann in Bonn

The Social Democratic party (SPD) yesterday agreed a minority coalition with the left-wing Green party in the eastern German state of Saxony-Anhalt, a risky venture whose survival depends on the support of the Party of Democratic Socialism, the successor to the East German Communist party.

The coalition has been seized on by the SPD as a chance to prove that it is serious about government. It also provides further evidence that the SPD may agree to work with the Green party to secure a majority after the October federal parliamentary elections. Mr Rudolf Schäping, the SPD leader, has denied all such suggestions, but leading members of his party have argued that a pre-election commitment to a so-called red-green coalition will secure a larger majority for the two parties.

Meanwhile the Christian Democratic Union (CDU) and its more right-wing Bavarian sister party, the Christian Social Union (CSU), have been failing over themselves to present the arrangement with the former communists in Saxony-Anhalt as ultimate treachery.

The SPD have fired back, pointing out that the CDU has agreed countless coalitions with the PDS at local council level in eastern Germany and is hypocritical to suggest that arrangements at state level are any different.

The two would-be coalition partners yesterday presented a 70-page document, negotiated over the last 10 days, which outlines the coalition agreement. The SPD will have six ministers, the Greens will take over the Environment Ministry, and independent technocrats are being sought for the

three remaining posts.

"The longest road starts with the first step," was the cautious verdict with which Mr Reinhard Höppner, the SPD state premier designate, greeted the landmark decision. He is likely to be elected premier on July 21.

Only days before the election on June 26, Mr Höppner said he would not consider any deals with the PDS, preferring instead a so-called grand coalition with the CDU, which has 36 seats in the state parliament, one more than the SPD.

However, a day after the election victory the SPD leadership in Bonn were able to convince Mr Höppner that a coalition with the Greens, who have five seats, and horse-trading with the 21-seat PDS, however risky, was the only chance the SPD had of proving that it was determined to win the October elections.

Recent opinion polls have seen the SPD lose its earlier lead over the CDU and many observers suggest the party will be hard pushed to recover lost ground before the October elections.

The PDS has achieved impressive returns in state and communal elections in eastern Germany, backed by voters angry about economic reforms, and it is likely to manage to get back into the Bundestag, or lower house of parliament, in the October elections.

Leading politicians in Thuringia, which neighbours Saxony-Anhalt to the south and is still a bastion of CDU support, sought to play down the spill-over effect of the red-green coalition. They argued that the differing economic and political development of the five eastern states meant it was unlikely the Saxony-Anhalt coalition would be duplicated.

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Health services abuse funds, regions fail to pay taxes

Russia pinpoints revenue loss

By Leyla Boutou in Moscow

Glaring abuses of state funds by health services and the withholding of taxes by a handful of big Russian regions were singled out yesterday as reasons for Russia's inability to honour expenditure commitments.

A Finance Ministry report presented at a cabinet meeting to review the state of the economy said the government had simply slashed expenditure to make up for the failure to collect 40 per cent of tax receipts in the first half of this year. That figure in itself is encouraging, given the fact that only 30 per cent of taxes were collected in the first quarter of 1994.

One example of abuses of funds the government identified was that of medical institutions which had spent the money

not on health care but on financing private business activities or buying cars instead of medical equipment.

Tatarstan and Bashkortostan, two semi-independent republics within the Russian Federation, were the biggest non-payers of taxes among the regions, together withholding more than Rbs124,000, compared to the budget's total projected revenues of Rbs124,000.

The credibility of the government's own promises to combat reforms with a fight against abuses has come into question following its recent decision not to abolish quotas on oil exports as promised from July 1. This crucial foreign trade reform, which would have increased tax revenues and removed a big source of corruption, was postponed until at least January 1995 without explanation.

But reformers within the government and the president's administration blame the government's vulnerability to powerful vested interests, including the handful of companies currently enjoying exclusive export rights and those of officials who receive bribes in return for the allocation of quotas.

"This was too juicy a morsel to give up for certain interest groups," explains Professor Yevgeny Yasen, chief economic analyst for President Boris Yeltsin.

At yesterday's meeting - missed by Mr Yeltsin, who was said to be suffering from a cold - Prime Minister Victor Chernomyrdin trumpeted the government's achievement in driving inflation down to 6 per cent in June, although officials have warned that it is likely to rise to double-digit figures by the autumn.



Two Greek Cypriot women write messages on a banner in Nicosia's main square yesterday, the 20th anniversary of the coup that prompted a Turkish invasion and partition of the island. The text, a quotation from an anonymous poem, reads: "Seal this cloth with the wrath of your soul until the sun rises again over our enslaved land."

Emu unlikely this century, says Vranitzky

By David Marsh
European Editor

drawing attention to problems of "psychology" in replacing national currencies by a single European currency. "Austria would definitely find it hard to see it [the schilling] eliminated in a short space of time," he said.

He added that this sentiment was similar to that seen in Germany and the UK about the possible replacement of the D-Mark or sterling.

He said establishing a monetary union "that deserves the description" would require "a minimum number of countries" as participants.

"I would prefer a larger number of countries. Otherwise we could arrive at a kind of two-track integration process, which would not be an optimal development."

The number of countries likely to fulfil the Euro economic convergence criteria laid down by the Maastricht treaty was likely to remain rather low by the end of the century.

As a result, he said, "I really do think it will be necessary to talk about monetary union later than 1999."

Mr Vranitzky made his comments even though the Maastricht treaty rules out any minimum number of EU states in 1999 as participants in a monetary union. In theory, this means that as few as two or three EU members could launch Emu from that date, provided they fulfil the convergence criteria.

Austria is one of the few European countries which currently come close to meeting all the criteria on inflation, interest rates, public sector debt and budget deficits. Although Austria does not participate in the European Monetary System, the schilling's central exchange rate against the D-Mark has remained unchanged since the system started in 1979.

Berlusconi's long run of luck hit by dispute

In the shadow of Italy's participation in the World Cup final, Mr Silvio Berlusconi, the prime minister, has become involved in a dangerous confrontation between the executive and the judiciary.

The disagreement centres on a decree that drastically reduces the scope of investigating magistrates to use preventive detention of those suspected in cases of corruption.

The outcome could for the first time dent Mr Berlusconi's remarkable run of popularity since he took office two months ago. The institutional conflict also risks causing sharp divisions among Mr Berlusconi's allies in his right-wing coalition. At the same time it could side-track the government's attention from formulating economic policy with the budget plans promised next Thursday.

The decree, signed into force late on Wednesday by President Oscar Luigi Scalfaro, permits 2,000 people under preventive detention to leave prison. If it had existed 2½ years ago, before the anti-corruption investigations, none of the more than 600 accused of various crimes would have entered prison. They would at best have been confined to house arrest.

The restriction on the powers of arrest was however only one of the reasons behind Thursday's resignations of the anti-corruption team of Milan magistrates led by Mr Antonio Di Pietro. They claimed the decree was deliberately intended to curb their investi-

Back from the dead and aiming high

Bundeswehr successes revive Volker Rühe's ambitions, reports Quentin Peel

They call the German Ministry of Defence the graveyard of political ambitions. Five postwar defence ministers have been forced to resign prematurely because of scandal, political failure or ill health. The only man to survive and rise to greater things was Mr Helmut Schmidt, the former chancellor.

Already government ministers are suggesting the decree can be altered in parliament - especially that part saying crimes such as corruption against the state do not warrant preventive detention. But Mr Berlusconi is unlikely to alter the substance of the decree.

He recognises that Mr Di Pietro is one of the most popular figures in Italy, as a result of his work unmasking corrupt politicians and businessmen. But he also has opinion polls which indicate the public is no longer so interested as before in the corruption issue; it was barely raised in the March general elections.

The public reaction will be crucial, and the generally hostile response of the press yesterday was perhaps not an accurate measure of opinion. A compromise is possible, but if none is sought and the public comes behind Mr Di Pietro, he would like to emulate Mr Schmidt. He admits that his fellow Hamburg is a role model, even if he is a Social Democrat. And he has certainly proved he is a survivor.

Less than two years ago, Mr Rühe's political career seemed to be in tatters. Touted in the media as a possible heir to Chancellor Helmut Kohl, he stood at the party conference of the Christian Democratic Union to become one of Mr Kohl's five deputy chairmen - and suffered the humiliation of coming sixth, at the bottom of the poll.

It was a brutal setback for an ambitious politician, and one which caused the chancellor to lose of sleep. For Mr Rühe had allowed his ambitions to become too obvious.

He was suspected of plotting for a future grand coalition with the Social Democrats, and Mr Kohl suffered no rivals gladly. Ever since that day at the Düsseldorf party conference, Mr Rühe's star has been on the wane.

Yet this week he was still very much in office, exuding his old self-confidence, having just pulled off a remarkable hat-trick. He had seen the constitutional court give the green light for Germany's military forces, the Bundeswehr, to serve on peacekeeping operations anywhere in the world; he had persuaded the leaders of all three parties in the ruling coalition to accept his controversial plans to slim the military to just 340,000 men, and cut conscription from 12 to 10 months; and he had

emerged from the latest budget round with his expenditure virtually intact, after two years of spending cuts.

On the face of it, it was no mean feat. And yet practically nobody in Bonn is prepared to give Mr Rühe the credit for it. For his success, above all in winning the battle in the constitutional court, has a fatal flaw. It means that the Bundeswehr is being given a role in the modern, post-cold war world - the chance to participate in international peacekeeping - at precisely the moment when, largely thanks to Mr Rühe's previous cuts, its morale is at rock-bottom and its operational capacity is overstretched.

From the moment he took over the office, little more than two years ago, at

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All the evidence suggests that morale in the Bundeswehr is plummeting new depths. Parliament's ombudsman for the armed forces, Mr Alfred Biehle, said in his last annual report that constant

changes or cancellations in budget commitments and structural decisions had "shattered the credibility and leadership ability of the political and military commanders".

Mr Rühe's first problem was that he never made any secret of where he wanted to be in the Foreign Ministry. And he has used his present position to gain political popularity and profile with that end in mind.

From the beginning, he decided that the most popular political move would be to reap the "peace dividend" from the end of the cold war - by cutting his own budget. First he tried to axe the Eurofighter, only to discover that his partners - Britain, Italy and Spain - were not prepared to agree. So he had to settle for a superficial redesign of the aircraft, which will almost certainly end up costing more, not less.

His next mistake was to try to be too active in volunteering big cuts in his own defence budget.

Instead of asking the budget committee for more than he needed, and then negotiating down to a sensible compromise, he actually offered them bigger cuts than they were contemplating, according to an impartial observer. "The budget committee simply wasn't prepared to give up its job, so it cut him still more." Real defence spending last year was reduced by some 28 per cent. This year's budget freeze amounts to a token reprieve.

"Nobody would dispute that the Bundeswehr needs to be smaller," a military attaché said. "The budget is no longer enough to support 370,000 men."

Yet from Mr Rühe's point of view, that is still a success: he has reaped the peace dividend. The cut in conscription also seems certain to be popular with young voters and their families. He is determined to prove the soothsayers wrong, and demonstrate that there is a political life in Bonn after the Ministry of Defence.

Geneva, a francophone city, as have other French-speaking countries. Germany claims the support of about 20 countries but, with the exception of Belgium, these are mostly small developing nations.

The contest between Geneva and Bonn has been keenly fought, with both cities offering multi-million-dollar packages of office accommodation and diplomatic posts to attract the future WTO.

However, trade diplomats said yesterday that following big improvements in the terms and conditions offered by the Swiss, there was nothing to be gained materially from moving to Bonn, and much to lose.

Other trade officials expressed fears that many Gatt staff would refuse to move, disrupting the WTO's work.

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WTO decision delayed

By Frances Williams in Geneva

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INTERNATIONAL NEWS DIGEST

Plan to tighten curb on beef

The European Commission bowed to political pressure from Germany yesterday when it proposed to increase restrictions on export of beef from Britain because of the threat of bovine spongiform encephalitis, or "mad cow" disease.

Mr René Steichen, EU agriculture commissioner, proposed to limit exports of British beef in carcass form to herds which have been free of the disease for six years rather than the current two years. This would not affect sales of boneless meat. Mr Steichen said he based his suggestion on scientific advice offered by the Commission's veterinary committee. The commissioner's draft is being referred back to the committee, which must accept his proposal before it can be formally adopted.

The BSE problem is due to be discussed at a meeting of European Union agriculture ministers on Monday. Germany has been threatening a unilateral ban on British beef imports if the Commission does not tighten up restrictions. But the British government believes it is time to start easing the curbs placed on the beef trade since the outbreak of BSE six years ago. It cites the sharp decline in the number of cases of BSE - a 23 per cent drop in the number of cases in the first six months of the year - as evidence that the disease is under control. *Deborah Hargreaves, London*

EIB loan accord with Poles

The European Investment Bank (EIB) has signed a three-year framework agreement with Poland that could result in up to £785m in loans from the bank for infrastructural projects aimed at integrating the country with the European Union. Mr Wolfgang Roth, deputy head of the bank, says that the agreement marks a shift in thinking about Poland at the EIB. Instead of treating Poland as a "post-communist country building a market economy" it is now viewed as a "prospective member of the European Union".

According to Mr Roth, the EIB is prepared to lend around £400m to central and eastern European countries over the next three years, with about a third going to Poland. The highway building programme in Poland would be a prime candidate for loans. *Christopher Bobinski, Warsaw*

US industrial output grows

Industrial production in the US rose 0.5 per cent between May and June - but the increase mostly reflected greater use of electricity with unusually hot weather. Excluding utilities, production rose 0.1 per cent from May, the Federal Reserve said. Overall production was 5.8 per cent higher than in June last year, having risen for 13 consecutive months. But the pace of growth has ebbed in recent months.

Industrial output grew at an annual rate of 4.4 per cent during the second quarter as a whole, against 8.3 per cent in the first quarter. This mainly reflected a slowing down in car production, partly caused by capacity constraints. There were wide variations in the performance of different sectors. Production of business equipment rose 0.6 per cent from May, but output of construction supplies rose only 0.2 per cent. Mining output fell 0.5 per cent. The overall industrial operating rate rose 0.3 percentage points to 83.8 per cent last month, its highest level in five years. *Michael Prouse, Washington*

Germany loses 'sherpa'

The German government is to lose its top international financial negotiator, Mr Gert Haller, state secretary in the Finance Ministry, to the private sector next year. Mr Theo Waigel, the finance minister, said yesterday that Mr Haller - who acts as the "sherpa" for Chancellor Helmut Kohl in the preparation of the Group of Seven world economic summits, and is the German government representative on the EU monetary committee - is to join the private Wüstenrot building society and banking group as joint chief executive from next January.

Mr Haller, 50, has been state secretary only since August last year, when Mr Horst Köhler, his predecessor, resigned to become president of the German savings banks association. Mr Waigel said Mr Haller had taken his decision for personal reasons. He insisted there had not been "any hint of a disagreement" with him. *Quentin Peel, Bonn*

Bond sues TV network

Mr Alan Bond, the failed Australian tycoon, is suing the country's Seven television network for allegedly implying in a programme that he was faking brain damage in an unsuccessful attempt to delay a court hearing on allegations of art fraud. He faces a preliminary hearing in Perth Magistrates' Court on Monday on charges of fraud relating to the sale of a work by Monet entitled *La Promenade*. *Reuter, Sydney*

Ex-premier jailed for fraud

The former Labor premier of Western Australia, Mr Brian Burke, has been sentenced to two years in jail after being convicted on four charges of fraud, relating to Mr Burke's misuse of parliamentary travel funds to pay off A\$17,000 of his personal overdraft. *Emilia Tugazza, Melbourne*

Van plant case rejected

The European Court yesterday rejected a complaint by the French holding company Matra-Hachette against plans by Ford of the US and Volkswagen of Germany to build a mini-assembly plant in Portugal. Matra-Hachette, which builds Espace minivans for French car maker Renault, argued that the Ford-VW joint venture should not have been cleared under European Union competition rules because its capacity of 180,000 units a year will dominate the EU market. Rejecting the complaint, the court ruled that Matra-Hachette did not provide sufficient proof of its claim. The court last year rejected another action brought by Matra-Hachette against an EU decision to approve subsidies to the Ford-VW plant. *Associated Press, Brussels*

Taiwan wows foreign banks

Taiwan has relaxed restrictions on the establishment of offshore banking units (OBUs) in a bid to attract more operations and to help promote syndicated loan business in the local market. Foreign banks can now apply to set up an OBU without first having established a branch in Taiwan, an official at the finance ministry's bureau of monetary affairs said yesterday. Applicants need not be among the world's top 500 financial institutions as before. "They only need to prove they have prudential management, a good business plan and the means to operate in Taiwan," the official said. The minimum capitalisation requirement has yet to be decided, but will probably be NT\$200m (£1.9m). Taiwan currently has 38 OBUs, 19 of them run by foreign banks. *Laura Tyson, Taipei*

BBC boosts Asia reception

The BBC said yesterday it would spend £30m on a new relay station in Thailand to improve reception of its World Service radio programmes in Asia. The relay station, comprising four 250-kilowatt transmitters, will carry broadcasts in up to ten languages and improve reception for more than 45 per cent of the world's population, the BBC said. BBC radio signals are weak in parts of Asia, and a growing number of Asians get news from television. Mr Prasong Soonsiri, Thai foreign minister, signed an agreement for the relay station with British diplomats in Bangkok yesterday. The transmitters should start broadcasting before the end of 1996 and be fully operational by mid-1997. *Victor Mallet, Bangkok*

Rabin to meet Hussein at US summit

By Julian Ozanne in Jerusalem and George Graham in Washington

The Arab-Israeli peace process gathered pace yesterday as the US announced the first public summit between the Israeli and Jordanian leaders and as Israel made substantial overtures to Syria on the eve of a Middle East peace shuttle by Mr Warren Christopher, US secretary of state.

President Bill Clinton said Mr Yitzhak Rabin, Israeli prime minister, would meet King Hussein of Jordan in Washington on July 26. The two neighbouring states have technically been at war since 1948.

The announcement, confirmed by Mr Rabin's office, came after Mr Shimon Peres, Israeli foreign minister, said the Jewish state recognised the sovereignty of Syria over the Israeli-occupied Golan Heights. Mr Peres made the remarks in an apparent attempt to break the deadlock in talks before Mr Christopher arrived in the region on his third shuttle this year.

Taken together, the two moves represent a significant further step in Arab-Israeli

negotiations. Mr Clinton said the summit would be "another step toward the achievement of a comprehensive and lasting peace in the Middle East".

The US plans to lay on a full ceremonial fanfare for the occasion. Mr Clinton said that in addition to their meeting, Mr Rabin and King Hussein would be invited to address a joint session of Congress. They will also attend a formal dinner at the White House.

In Israel the Rabin-Hussein meeting is expected to bolster both the government and public support for the peace process.

The summit will be seen as one of the first concrete benefits from peace talks with Palestinians and a step to ending Israel's regional isolation despite a 13-year-old "cold peace" with Egypt.

For Jordan the move marks the determination of King Hussein not to be left out of the unfolding Middle East peace process and to press Jordan's interests ahead of wider Arab co-operation, particularly with Syria.

As an inducement to Jordan to move ahead in its peace talks with Israel, the US is discussing possible debt relief



PLO chairman Yasser Arafat greets a well-wisher during prayers in Gaza City yesterday

in talks over the Golan Heights. Israeli officials said yesterday that Mr Peres' acceptance of Syrian sovereignty over the Heights marked a "far-reaching" concession to Damascus. Israel annexed the strategic plateau in 1981.

They said Mr Peres had attempted to offer a groundbreaking opening in the talks which have been stalled by Israeli refusal to say how much land it would return and Damascus' refusal to specify whether it would agree to a full peace including open borders, trade and embassies.

Mr Christopher will also meet Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, to review the implementation of the Israel-PLO peace agreement. He said he would discuss "the steps that I feel must be undertaken to establish the accountability necessary to reassure the donor community".

Mr Clinton said the Rabin-Hussein meeting was "another step" on the long road to an era of Middle East peace. "I will do everything I can to make sure the peoples of the region realise the blessings of peace that have been denied too long to them."

Cardoso's presidential hopes boosted by Real

By Angus Foster in São Paulo

Mr Fernando Henrique Cardoso, Brazil's presidential candidate and former finance minister, appears to have significantly closed the gap on his main rival since the introduction of the country's new currency, the Real, this month.

Mr Cardoso negotiated the Real and other economic measures through Congress before resigning to run for president. He needs the new currency

to be seen as effective in reducing inflation if he is to catch the front runner, left-winger Mr Luiz Inácio Lula da Silva. Before the currency was launched, Mr da Silva led Mr Cardoso by 41 per cent to 19 per cent in opinion polls.

But a poll released yesterday, and conducted after the new currency's introduction, showed Mr da Silva's support for the October election falling to 34 per cent and Mr Cardoso's rising to 25 per cent. More important,

the Datafolha poll showed the two levels on 43 per cent for the second round run-off.

The findings backed up polls conducted before the new currency had time to take effect, which suggested a swing to Mr Cardoso. The stock market, which fears Mr da Silva would prevent liberalisation of Brazil's economy, gained more than 3 per cent in early trading yesterday. This followed a near 5 per cent increase on Thursday after another poll suggested Mr

Cardoso had gained ground in the populous state of Minas Gerais.

Mr da Silva and his Workers' party (PT) played down the poll's significance and pointed out that Mr Cardoso was still behind in every state. Mr da Silva has had a difficult week, fighting off corruption allegations against his running mate José Paulo Bisol. The press claims may not matter in terms of votes, but denial of them has taken up valuable campaigning time.

The latest poll also showed a sharp fall in opposition to the new currency. The proportion of people believing themselves worse off because of its introduction has more than halved to 20 per cent, while 67 per cent of people said the currency was good for Brazil.

Inflation is expected to fall to a single figure this month. This compares with an inflation rate of 50 per cent in June under the old currency, the cruzeiro real.

Colosio's assassin 'acted alone'

By Ted Bendtke in Mexico City

The special prosecutor investigating the assassination of Mexican ruling party presidential candidate Luis Donaldo Colosio has presented his final report on the killing - and then promptly resigned as a public outcry condemned his conclusions as insufficient and unbelievable.

The prosecutor, Mr Miguel Montes, said in his final report, which was expected to close the case, that Mario Aburto, the confessed assassin, acted alone when he shot Mr Colosio during a campaign rally last March in Tijuana. This contradicted his preliminary report, which claimed that Aburto was part of a conspiracy that included Tijuana members of Mr Colosio's own Institutional Revolutionary party (PRI).

Reaction to the new theory was swift and harsh. All leading political parties, deep into their campaigns, criticised the report, with the opposition claiming it was an attempt to close the case without scandal before the presidential elections on August 21.

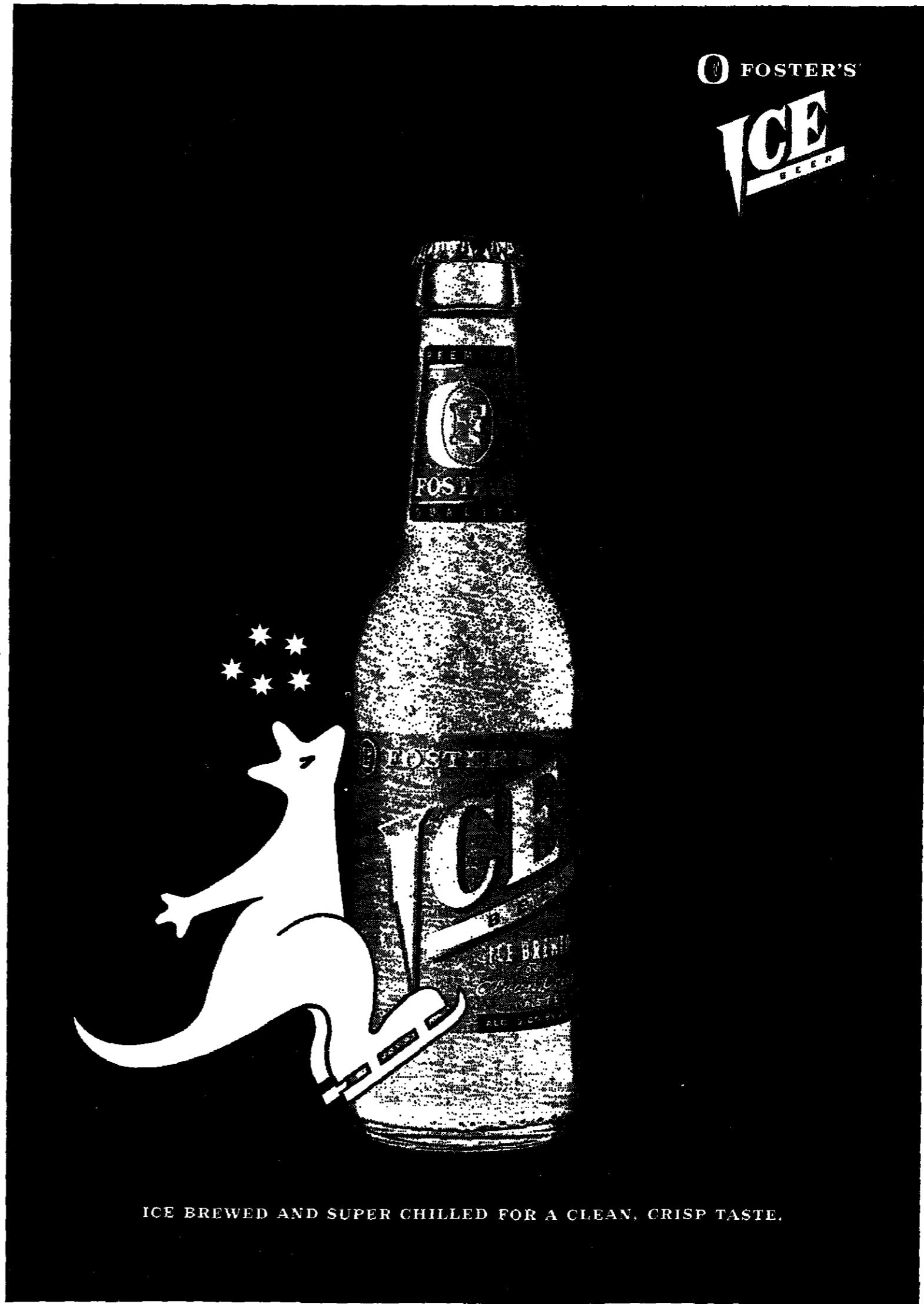
Public opinion polls show that Mexicans overwhelmingly believe that Aburto did not act alone and that the government is unwilling or unable to find the intellectual authors of the assassination.

In announcing Mr Montes' resignation, President Carlos Salinas stressed that the case had not been closed. Instead, he said Mr Montes' replacement, Mr Olga Islas de González, would specifically look into whether Aburto acted on orders of others.

Mr Salinas also set up a commission to review Mr Montes' work, the fourth such panel the president has created in as many months in an attempt to give the government investigation some credibility.

The lawyer representing Mr Colosio's widow Diana Laura in the investigation, Mr Juan Velasquez, welcomed the resignation. "A complete revision of the case should be done to remedy the deficiencies of the investigation... which were to produce absolutely subjective conclusions," Mr Velasquez said. He called Mr Montes' final report "ridiculous".

Mr Colosio's substitute as the ruling party presidential nominee, Mr Ernesto Zedillo, also criticised Mr Montes' findings, even though a lone gunman theory saves the PRI from suspicion that it participated in the assassination. But most political analysts agree that Mr Zedillo simply could not support an investigation that had lost its credibility.



NEWS: INTERNATIONAL

Japan's widening trade gap hits hopes

By William Dawkins in Tokyo

Japan's trade gap widened by 14.8 per cent to \$11.35bn (27.3bn) in the year to June, a serious blow to the Finance Ministry's belief that the surplus had peaked.

The increase, fuelled by a 20.3 jump in exports to the US and a 14.1 per cent rise in sales to the rest of Asia, brings Japan's overall trade surplus for the first six months of the year to \$80.01bn, a 5.1 per cent increase from the 1993 period. In May the surplus fell for the first time in six months.

Japan's politically sensitive surplus with the US rose by 14 per cent to \$24.86bn in the opening six months - or by 43 per cent in June alone - driven by the expanding US economy's appetite for foreign goods.

"The figures reflect the economic strength of the US and Asia, driving up exports there. What is missing is a recovery in Japan," said Mr Jim Vesel, chief economist at Barclays de Zoete Wedd in Tokyo.

The government's Economic Planning Agency yesterday recognised that the recent spurt in the yen's value casts a shadow over recent

fall in oil prices, a slight slowdown on previous months. Over the first six months, imports rose by 7.6 per cent. This is slightly higher than exports, at 6.3 per cent.

The renewed surge in the yen, dating from the last week in June, has led some analysts to doubt that the economy will grow enough in the second half to bring the sharp drop in the surplus they were forecasting.

The government's Economic Planning Agency yesterday recognised that the recent spurt in the yen's value casts a shadow over recent

improvements in corporate earnings and business sentiment. "If it had not been for the appreciation of the yen, the Japanese economy would have been closer to a state of bottoming out," an official said.

Private sector economists believe that recovery would be stifled if the yen rose to Y90 to the dollar, but that growth would be possible at Y100. The yen fell slightly against the US currency in Tokyo yesterday, from Y88.19 to Y88.30 to the dollar.

The latest bankruptcy figures indicate that the health of smaller compa-

nies continues to be fragile. Debts of bankrupt companies fell by 12.7 per cent in the opening six months of this year, but the number of corporate collapses still increased by 1.5 per cent to 6,523, according to Teikoku Databank, a credit research agency. Within that, a record 61.2 per cent of bankruptcies were directly caused by poor economic conditions.

Separately, Tokyo department stores yesterday reported that sales fell by an annual 3.4 per cent in June, an improvement on May but still the 26th month of decline.

Paper groups fined in £260bn state plan to boost cable

US anti-trust probe

Three Japanese paper companies and a Japanese executive agreed to plead guilty and have been fined more than \$6m (£2.8m) for anti-trust activity, the US Justice Department said, writes Michio Nakamoto.

Mitsubishi, the Japanese trading house, its US arm Mitsubishi International, Kanzaki Specialty Papers, a subsidiary of Japan's New Oji Paper, and a former president of Kanzaki, are charged with conspiring to fix the prices of thermal fax paper in the US market in 1991 and 1992. The charge followed a two-year investigation by

US and Canadian authorities. Mitsubishi exported \$5m of thermal fax paper to the US while Kanzaki, which manufactures the paper in the US, made \$40m in sales in the \$120m-a-year US market.

The anti-trust activity raised the price of thermal fax paper in the US market by about 10 per cent, according to the Justice Department.

Of the fines, Kanzaki is to pay \$4.5m in the US and C\$850,000 (244,000) in Canada. Its former president will pay \$165,000. Mitsubishi will pay \$1.26m, and its US subsidiary \$540,000.

Japan's Ministry of Construction is proposing to build an underground cable bus network that would be able to house fibre optic cable for the country's planned information superhighway, the ministry said.

The project, estimated to cost Y40,000m (2250m), would be entirely financed by public funds.

The ministry hopes to present a bill to the next regular session of the Diet, the Japanese parliament. It hopes that the bill will be approved by the end of the present fiscal year and that construction

work will start by fiscal 1995. Japanese politicians and bureaucrats alike have been keen to promote construction of an information superhighway along the lines of the national information infrastructure promoted by Vice-President Al Gore in the US.

They have also recognised that multimedia could provide much needed new businesses to promote future economic growth. The Ministry of Posts and Telecommunications, for example, believes multimedia markets will be worth Y123,000m by 2010.

The Japanese authorities are also concerned that Japan has lagged behind the US in moving

towards an advanced information society and have put considerable efforts into catching up with the US.

Under the Construction Ministry's plan, the network would contain telephone lines as well, enabling existing above-ground telephone poles to be gradually abolished. The ministry hopes the bulk of the work can be completed by 2020.

Telecommunications operators wanting to provide services using fibre optic cable would be able to do so as long as they laid the cable in the box network.

NTT, Japan's major domestic telecommunications company, has already laid over 85,000km of fibre optic cable throughout Japan and plans to bring fibre to homes by 2015.

Siemens gains stake in Thai rail contract

By Victor Mallet in Bangkok

A joint venture of Germany's Siemens group and Italian-Thai Development, the leading Thai construction company, was yesterday awarded a turnkey contract worth \$1.1bn (£450m) - excluding financing costs - to build what is expected to be Bangkok's first urban rail system.

The consortium signed the agreement with Bangkok Transit System Corp (BTSC), a subsidiary of Thailand's Tanyong property group. Tanyong has a 30-year concession to build and operate two elevated rail lines with a total length of 24km.

Bangkok has no mass transit network for its citizens other than buses, and the city's traffic jams are notorious. But like all big transport projects in the capital, BTSC's planned railway has been dogged by delays and controversy. Successive governments have failed to cater to Bangkok's transport needs or to reconcile conflicts between rival projects.

Financing for the BTSC project from Deutsche Bank, KfW, the International Finance Corp and other lenders has yet to be finalised, and BTSC says the conditional offer of a financing package from the German-Thai consortium will expire at the end of August if negotiations are not completed.

But the project was given a boost this week when Mr Chatri Sophonpanich, executive chairman of Bangkok Bank, South-East Asia's largest bank, announced his support.

Mr Chatri's sister, Chochoy, has spearheaded a protest against the elevated railway on environmental grounds, although BTSC's supporters say the streets of Bangkok are already so unattractive and polluted that the project will not make much difference and may even reduce air pollution as the trains are electrically powered.

Mr Wolfgang Martens, president of Siemens Transportation Systems Group, said just under half of the contract value would go to Italthai for civil works, with the rest going to Siemens for the rolling stock, power supply and other items. Trains would be provided by Siemens' subsidiary Duewag.

BTSC says the system, with 25 stations and 102 carriages in three-carriage sets, will be able to carry 700,000 passengers a day.

"The elevated system will provide travellers with a new and exciting view of Bangkok while carrying them above the traffic jams and floods which daily waste our resources and drain the travelling public's energy," said Mr Anat Arhabirama, BTSC president.

CONTRACTS & TENDERS

SÃO PAULO SOUTHERN METROPOLITAN RAILWAYS PROJECT

NOTICE OF PREQUALIFICATION TO BID FOR CIVIL WORKS CONTRACTS

The Government of the State of São Paulo has applied for a loan from the Interamerican Development Bank (IDB), in various currencies, equivalent to US \$402 million, to part finance the cost of implementation of the *TRANSPORTE SIM*, an Integrated Transport System for the São Paulo Metropolitan Region, and intends to apply part of the proceeds of this loan to eligible payments under the contract(s) for which this Notice of Prequalification is issued. CPTM (Companhia Paulista de Trens Metropolitanos), the São Paulo State Metropolitan Railways company, will act as the Project Implementation Agency (PIA), while IDB loan resources shall be managed and transferred to the PIA by STM (Secretaria dos Transportes Metropolitanos), the State Secretary for Metropolitan Transport, which has already set up an Executive Group to oversee the project implementation.

Basic detailed designs have already been concluded by CPTM, so that CPTM now intends to prequalify contractors which may be interested in presenting bids for the construction of sections of the Campo Limpo - Santo Amaro metro link, located in the city of São Paulo, Brazil. Two separate bids for civil works shall be issued:

Bid 1 - Santo Amaro Section (approximately 1,114 meters), which comprises the construction of Santo Amaro station over the Pinheiros River, including a stay suspension bridge structure and elevated sections adjacent to the station.

Bid 2 - Largo Treze Section, comprising the construction of underground Largo Treze station and of the railway sections adjacent to the station (approximately 850 meters), to be built in the inverted cut-and-cover method, plus the construction of approximately 210 meters of dual width tunnel through sedimentary soil, employing the New Austrian Tunnelling Method (NATM).

Both contracts will request, in addition to the execution of civil works, development of engineering design work and execution of detailed construction drawings and documents.

This invitation for prequalification is open to any bidder (including all members of a joint venture) that have their origin in the eligible source countries, as defined under the Guidelines for Procurement of the IDB.

Bidders may obtain further information, and acquire the bidding documents, until August 16, 1994, at 2:00 PM (Brasilia Standard Time), either in person or through mail or fax, at the following address:

Secretaria de Estado dos Transportes Metropolitanos
C/O Grupo Executivo
Rua Butantã, no. 285, quinto andar, Pinheiros
05424-140, São Paulo, SP, Brazil
Telephones: 55 (11) 815-0255, ext. 266, or 55 (11) 705-4900, ext. 300
Fax no.: 55 (11) 816-8255

Requests should be clearly labelled as "Request of Instructions - prequalification for Campo Limpo - Santo Amaro metro link construction bids" followed by the *bid number and section*, as indicated previously, in bold type.

Two complete sets of instruction documents will be readily available upon request, separately for each of the two bids. Delivery or remittance of documentation is subject to the payment of a non-refundable fee, for each set, of US \$50.00 (fifty US Dollars) or its equivalent in Reals (R\$), the Brazilian currency, converted according to the standard commercial exchange rate. Payment shall be made through bank order or check, to the order of *Companhia Paulista de Trens Metropolitanos - CPTM*, clearly indicating the name of the company which requests information. Bank account for deposit is identified as follows:

Bank : Banco do Estado de São Paulo - BANESPA
Agency : Rio Branco, no. 0205
Account : 13-02468-7

CPTM will readily dispatch the requested documentation through registered mail but said Company shall not be made responsible for any undue delay or loss of mailed material.

Minimum requirements that entitle a given company to apply for each prequalification are specified in the instructions. Prequalification applications for each contract shall be submitted in closed packages, either personally or by registered mail, and should be at the address indicated above no later than September 6, 1994 at 2:00 PM (Brasilia Standard Time). Any application arriving after that day and hour shall not be accepted. Packages containing applications should be clearly marked as: "Solicitação de Prequalificação para _____ (here go the bid number, either 1 or 2, and section name)".

Applicants will be informed in due time as to the result of their applications, and only those which prequalify will be invited to present bids.

GM chief urges compromise to spur trade talks

By Michio Nakamoto

Mr John Smith, president of General Motors, yesterday called for compromise in the stalled trade talks between the US and Japan, which he said were causing uncertainty in the foreign exchange markets.

"Somewhere along the line we need to reach some form of compromise to take these trade talks forward," Mr Smith said in Tokyo.

His comments came as US and Japanese trade negotiators failed in talks this week to agree on how foreign access to Japan's vehicle and parts markets could be improved.

The chief executive of the world's largest carmaker noted that the framework trade negotiations were important in helping foreign companies make progress in Japan but added that "the strengthening of the yen against the dollar has done more to level the trade playing field between Japanese and US companies than all of the rhetoric and policy initiatives of the previous 20 years".

This compares with 31,958 units for the whole of last year.

Mr Smith warned that "the fact that the US-Japan trade imbalance has deteriorated despite the high-profile diplomatic talks... has not gone unnoticed by the Congress and the public". Consequently, "if Japan fails to open its markets more, then I believe the yen will continue to strengthen to the detriment of Japanese exporters".

GM had benefited significantly from the yen's sharp appreciation, Mr Smith indicated.

The company has seen component sales to Japanese companies, for example, rise substantially over the past year and expects in four years to double its 1993 sales to Japanese companies of \$800m (552m).

GM also saw a 27 per cent increase in sales of cars and trucks in Japan in the first six months of this year, to 17,400 units, of which about 8,000 units were made in North America.

This compares with 31,958 units for the whole of last year.

Mr Smith urged that "the end of the cold war the agency expressed caution about the 240,000 Russian troops stationed in the far east. Their future was uncertain, linked to "political and economic instability in Russia".

The agency said Japanese forces were capable of defending Japan against a small attack and holding off a large assault until the deployment of US forces, under the US-Japan security treaty.

Despite the end of the cold war the agency expressed caution about the 240,000 Russian troops stationed in the far east. Their future was uncertain, linked to "political and economic instability in Russia".

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Seoul to curb Kim mourning

By John Burton in Seoul

The South Korean government is to crack down on leftist organisations planning to hold mourning ceremonies for the late North Korean President Kim Il-sung, whose funeral is scheduled for tomorrow.

The announcement follows

Young-sam for raising tensions by placing the country's military and police on alert after the announcement last Saturday of Mr Kim's death.

It compared to "setting a fire at a funeral home".

Despite the fact that even the US president and Japanese prime minister expressed their regrets over the death of President Kim Il-sung, only Kim Young-sam... is acting recklessly," declared the state-controlled Radio Pyongyang.

Student organisations have also said they will send groups conveying their condolences to Pyongyang, after North Korea announced it would allow South Koreans who wanted to pay homage to Mr Kim to cross the heavily fortified demilitarized zone separating the two Koreas.

North Korea yesterday resumed propaganda attacks against the South after suspending them following the president's death. It criticised South Korean President Kim

when they had only just met.

Later the official Xinhua news service reported Mr Goodlad gave Mr Qian a message from Mr Hurd proposing an exchange of visits or a meeting between the two. Mr Qian reportedly replied "what could be agreed on at present" was that they should meet when they were both in New York for a UN General Assembly meeting this year.

A possible reason for his coolness is that the Chinese took umbrage at receiving a public sermon on the need to co-operate over Hong Kong.

Mr Qian Qichen, China's foreign minister and vice-premier, reacted coolly yesterday to a suggestion by Mr Alistair Goodlad, British Foreign Office minister, that the two countries put behind them past disputes over Hong Kong's political reform and co-operate on other issues concerning the territory. Our Foreign Staff reports.

Mr Qian also gave the impression of turning down a proposal by Britain's foreign secretary, Mr Douglas Hurd, that they should have an exchange of visits.

Two hours later as Mr Goodlad was meeting Mr Qian, the Chinese foreign minister broke custom by answering two questions from a Hong Kong reporter about Mr Goodlad's remark. Mr Qian was asked whether China had said that, in the absence of political co-operation, there could be co-operation on other Hong Kong issues. Mr Qian said: "We did not say things to that effect. If there is to be co-operation there should be comprehensive co-operation in all areas." Asked about prospects for his talks with Mr Goodlad, Mr Qian laughed and said he could not answer this

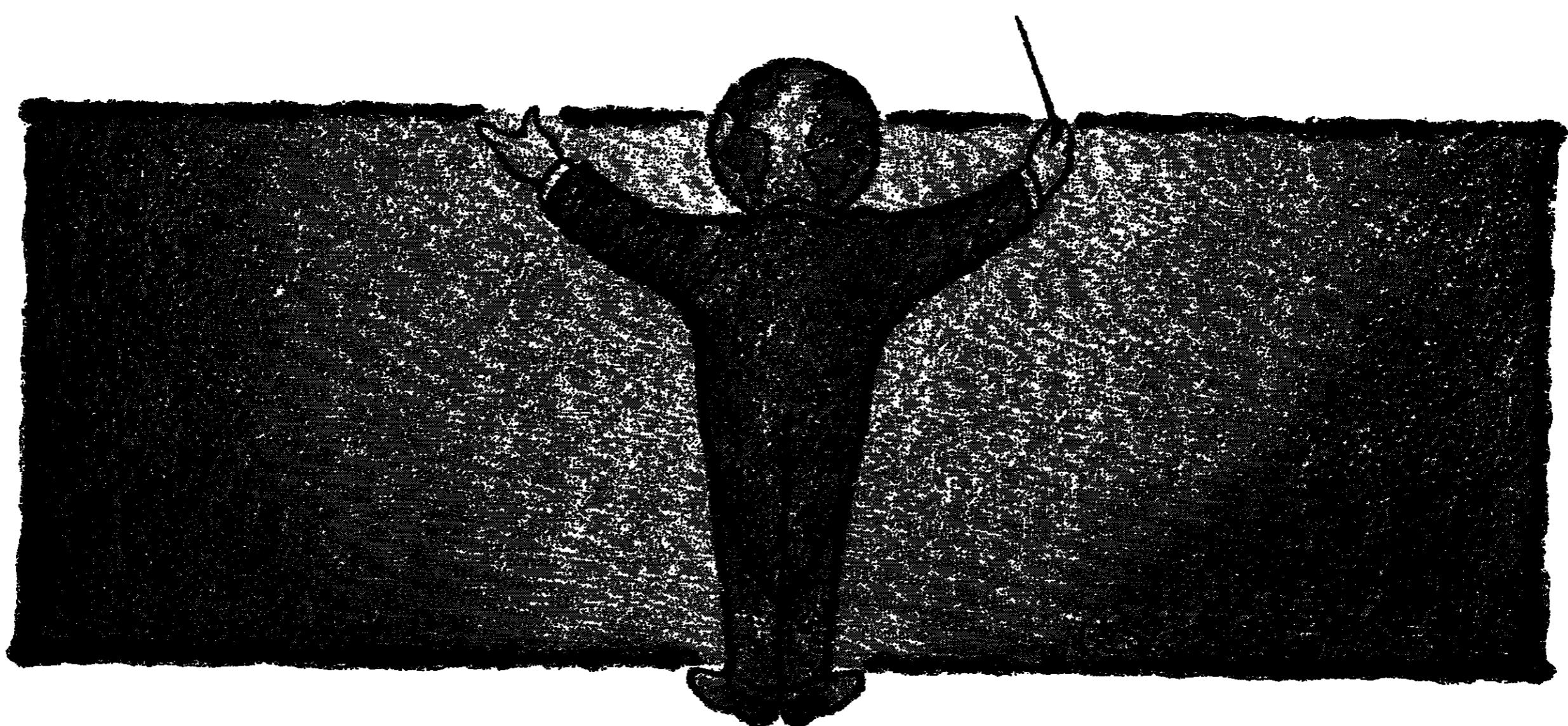
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FINANCIAL TIMES WEEKEND JULY 16/JULY 17 1994

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Electric chief makes £466,000 option profits

By William Lewis and David Lascelles

Mr James Smith, chairman of regional electricity company Eastern, has made a profit of £466,867 by cashing in share options awarded to him after privatisation.

It brings to more than £12m the profits made by directors of the UK's privatised water and electricity companies exercising

their share option perks.

Many of the executives are sitting on substantial profits from share options that they have not yet exercised and also from options that they have exercised but have not yet sold.

On April 5 Mr Smith, who at privatisation earned a salary of £62,270, exercised 121,107 share options. He immediately sold 60,554 shares at 6.69p each and

60,553 the day after at 6.80p, to give him a total profit of £466,867.

Three other Eastern directors recently exercised share options bringing them a combined profit of £143,000. The company said that it was "a private matter for the directors whether they exercised the share options".

A spokesman said that "in order to attract and retain

senior executives of the right calibre and degree of specialist talent Eastern has to be prepared to offer a remuneration package which is comparable with the rest of industry."

Eastern's recently published annual report, in line with several other water and electricity company reports, gives some details of directors' share options but does not reveal the actual profit Mr Smith made.

Stock Exchange disclosures compiled for The Financial Times by The Inside Track, the Edinburgh-based consultancy, reveal the actual gross profits made by directors when exercising share options.

Mr Tony Coleman, group finance director of Yorkshire Electricity, made a profit of £152,350 by exercising 61,957 options in April and then selling on 45,000 shares. That left

him with 16,957 shares which are showing a paper profit of £49,854.

Water company directors have made total profits of about £4.5m by exercising options and selling shares since January last year. This compares with profits of about £7.5m made by executives of regional electricity companies.

An exception to the rush to exercise options is Norweb, the

Manchester-based utility, where none of the executives has so far cashed in rights.

Six executives have options on nearly 600,000 shares, more than half of which they could exercise immediately at a profit of more than £3 a share.

A company spokesman said he could not comment on what executives did with their options.

Pledge of no more cuts in defence

By Bruce Clark

The government insisted yesterday that this week's defence cuts would not be followed by more reductions in the near future, but the pledge was met by a sceptical reaction from the opposition parties.

Government officials said that following Thursday's announcement of more than 18,000 job losses the Ministry of Defence would not be a target in the forthcoming public round of expenditure negotiations, which cover the period up to 1996.

They stressed that the £2.4m procurement package set out this week by Mr Malcolm Rifkind, the defence secretary, would not have been feasible unless he was confident that he would not be asked by the Treasury for further cuts.

Mr Rifkind yesterday signed a £1.1bn contract with the defence company Vickers for 259 Challenger-2 tanks, which he said "demonstrates that the fighting strength of the armed forces is being continually increased".

Mr David Clark, the Labour defence spokesman, said he doubted the government's ability to meet its stated defence commitments, even after Thursday's announcements, which are intended to trim spending by £750m a year from 1996-97 onwards.

Mr Clark said the gap between commitments and available funding could rise to £3bn in 1997-98 and £3.5bn the year after. He suspected that more cuts were planned.

Mr Menzies Campbell, Liberal Democrat defence spokesman, said there were "significant omissions" in the procurements announced.

He said the armed forces' need for support and attack helicopters, and for fresh or upgraded transport aircraft, was more urgent than the tanks, ships and submarines Mr Rifkind pledged to buy.

In Fifteen MPs, union leaders and councillors yesterday launched the Minesweepers for Rosyth campaign.

The base is set to close as an operational dock for Royal Navy ships, with the loss of 700 jobs. Minesweepers and fishery protection ships are to be moved elsewhere and the loss of 1,500 service personnel will hit the local economy.

The base will be kept open with more than 900 jobs - about two-thirds civilian - because of a continuing need for other operations at the base, including support for the adjoining royal dockyard.

Along with the demand to keep minesweepers at Rosyth, the campaign will lobby for extra financial resources for the Fife region.

In Exeter about 200 workers at a naval stores depot staged a walk-out in protest at the depot's proposed closure.

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Tory MP in sacking row with whips

By Roland Rudd

The government was yesterday embroiled in a dispute with a ministerial aide about whether he had resigned or was sacked days before the cabinet reshuffle.

Mr Tim Devlin, parliamentary private secretary to Sir Nicholas Lyall, the attorney general, said yesterday morning that he had resigned over planned defence cuts in his Stockton South constituency.

He was immediately contradicted by Conservative party managers who took the unprecedented step of saying that he had been dismissed for his "poor voting record and general ineffectiveness".

Mr Devlin, who has the reputation of being a rebel within government, said he was "gobsmacked" by the statement. He accused the whips of " vindictiveness".

With the impending reshuffle only days away, friends of Mr Devlin asked why the whips should sack a ministerial aide when they could remove him from office quietly the next week. Last night Mrs Marjorie Simpson, chair of the Stockton South constituency party, said she believed the whips were lying and backed Mr Devlin 100 per cent.

The whips' office said Mr Devlin was sacked after he missed four important Commons votes, including two in the early hours of Thursday morning relating to MPs' allowances. They said Mr Devlin's dismissal was connected solely with party discipline.

With a majority of 15, party managers said they were not prepared to allow members of government to "cherry pick" which votes they were pre-

pared to attend. The whips said the attorney general had been kept informed of Mr Devlin's dismissal and had accepted their judgment. Sir Nicholas's office would not comment.

Mr Devlin's removal gave rise to speculation that Sir Nicholas might be dropped from the government in next week's reshuffle. The rumours were fuelled by the government's announcement that Mr Devlin's duties were to be carried out by Mr Gary Street, Tory MP for Plymouth Sutton, who will remain parliamentary private secretary to Sir Derek Spencer, the solicitor general.

Party managers denied that the affair would have any effect on Sir Nicholas's future.

Mr Devlin said Sir Nicholas had tried to persuade him to remain and fight his corner in the government. But he felt unable to do so once the defence white paper revealed the loss of 384 jobs in his constituency.

He said he went to see the whips who told him to announce that his resignation was for personal reasons. "I disagreed with that and was going to make my position clear," he added.

Mr Devlin has featured in newspaper reports about his lobbying for the release from prison of a man charged in connection with drugs dealing and who was also alleged to have been a police informer.

The man left the country after charges were dropped.

While the publication of Mr Devlin's name in connection with this case was an embarrassment to the attorney general, government advisers made it clear that it had nothing to do with Mr Devlin's return to the backbenches.

Future of farm body in doubt

By Deborah Hargreaves

The government has deferred a controversial decision on the future of the Agricultural Wages Board, which sets pay and conditions for 180,000 farm workers.

Labour says the board's existence is threatened by government plans to repudiate two international conventions that would protect farm wages.

Mrs Gillian Shepherd, the agriculture minister, told parliament she had received advice from employers in the industry that Britain should not recognise the two International Labour Organisation conventions as they would restrict flexibility in the farm labour market.

Mr Gavin Strang, Labour's agriculture spokesman, called Mrs Shepherd's move "a shocking attack on some of the lowest-paid workers in the land".

The two conventions, which are accepted in most countries, require the setting of minimum wages for farm workers as well as the guarantee of an annual holiday. But the National Farmers' Union said he conventions would mean

there could be no changes to arrangements for the next 10 years.

The NFU strongly supports the continuing existence of the wages board. During the consultation exercise, Mrs Shepherd has received calls from all corners of the industry for the board's preservation.

But she said recent developments had forced her to rethink. This year's high pay settlement by the board, which awarded a 4.9 per cent wage increase to farm workers - double the average settlement for manual workers - had led many employers to question the value of the board, Mrs Shepherd said.

In addition, employees' representatives were seeking a judicial review of the board on the grounds that it discriminated against part-time workers.

Mrs Shepherd said that in view of these developments "I believe we must pause and take stock".

Mr Strang said the abolition or weakening of the wages board would drive down farm workers' wages, which were already 30 per cent below the industrial average.

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LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
LONDON INTERNATIONAL GROUP PLC
"and"

IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 1st July 1994 presented to Her Majesty's Court of Justice for the confirmation of the reduction of the Share Capital of the above-named company by £20,000,000 to £1,920,000 and the Minutes approved by the Court showing with respects to the reduction of the share capital and several particulars required by the above mentioned Act were registered by the Register of Companies on 8th July 1994.

The Petition is to be heard before Mr Justice Birkett on 25th August 1994 at the Royal Courts of Justice, Strand, London WC2A 2LP on Wednesday the 26th July 1994.

Any creditor or shareholder of the above-named company desiring to oppose the making of or to object to the confirmation of the said reduction of the Share Capital is to appear at the time of hearing before the Court or by Consent for the hearing.

The date of the said Petition will be furnished to any person so desirous by the undermentioned solicitors on payment of the usual charges for the same.

NOTED: 1st August 1994
Draeger and May
5 Broughton Street,
London EC2V 3DS
Ref: M/94/1000
Reference for the said Company.

No 001337 of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
NBS INVESTMENT MANAGEMENT LTD

IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 9th July 1994 confirming the conversion of £25,000,000 to £1,920,000 and the Minutes approved by the Court showing with respects to the reduction of the share capital and several particulars required by the above mentioned Act were registered by the Register of Companies on 8th July 1994.

The Petition is to be heard before Mr Justice Birkett on 25th August 1994 at the Royal Courts of Justice, Strand, London WC2A 2LP on Wednesday the 26th July 1994.

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Graduate debt up 13% to £2,000

By John Authers

The level of debt held by students on graduation rose by 13 per cent this year to an average of £2,004, according to a survey of 2,285 students by Barclays Bank.

The study shows that students are relying increasingly on funds from parents - in the form of gifts rather than loans - and less on banks. The average size of a bank overdraft at graduation now stands at £285 - down from an average of £295 two years ago. They are also trying to avoid the government's student loans scheme. The average borrowed from the scheme was £299, compared with an average available of £1,205.

The figures suggest that student hardship will increase in the next three years, as grants will be cut by 10 per cent each year, with the balance made up by loans.

Evidence that middle-class parents are being forced to spend more money on university education for their children and that the take-up of loans is low will intensify the pressure on the government from academics to reform the student finance system, possibly by allowing students to repay loans via higher income tax or national insurance payments.

Parents and guardians are bearing the brunt, and were nominated as the main source of income by 31 per cent of students this year, compared to 26 per cent last year. Those naming student grants and loans as their main source of income fell from 61 per cent to 57 per cent.

More than 80 per cent of parents know about their children's debt levels, with 35 per cent saying they were worried by it.

The proportion owing money to their parents has fallen from 21 per cent to 13 per cent in the last two years, as parents increasingly give money on a "no-strings" basis.

Barclays found that students were becoming more "serious-minded" about their personal finances, with most resigned to going into debt, and about their careers, with exams overwhelmingly cited as the most important issues facing them.

Those on professional courses were most likely to be in debt on leaving university, while science graduates would be higher than originally intended.

The original scheme involved cash payments of up to £10,000 to every member, including borrowers, as well as to others who could not vote, such as depositors - people with a savings account which

did not make them society members.

But Sir Donald Nicholls, the vice-chancellor, ruled that cash

payments could not be made to investors of less than two years' standing, nor to borrowers, although it was lawful to give cash to depositors and staff.

The requirements in the 1986 Building Societies Act for high levels of support among investors for such a takeover to go ahead, makes the task more difficult.

While borrowers have to

approve the move only by a simple majority of those voting, at least 75 per cent of investors voting - or investors representing 50 per cent of the value of investments which carry voting rights - have to consent.

The details of a new scheme will be announced in mid-August, but there are a few clues already about features it might contain. It appears

unlikely, for example, that an

alternative way of handing out the £500 cash payments to bor-

rowers will be on offer.

The voting threshold for getting consent of borrowing members is lower than for investors. Borrowers are also less mobile than investors, and so perhaps more susceptible to the long-term benefits of accepting the Lloyds' offer, for example in terms of the lower interest rates they may be charged.

It is also clear that a critical factor will be what is known as the qualifying date - the date for the start of the counting back to establish who is of two years' standing.

At the end of March, 27 per cent of C&G investors were of less than two years' standing, but that proportion will already have fallen, since the society closed to new investing members in mid-June, the day after the judgment.

There is nothing in principle

to stop the society setting a

qualifying date well ahead of

OECD supports 'bold' reforms of health service

By John Williamson,
Public Policy Editor

The government's reforms of the national health service are producing "increasingly encouraging results", the OECD says in a review of the UK economy.

It says the reforms, "a bold attempt to introduce elements of competition into the centrally-financed healthcare system", have increased the NHS's efficiency.

They have also made hospitals

respond better to patients' needs. And the funding family doctors who purchase health services on behalf of their patients have done much to challenge hospital practices and demand improvements.

The OECD says, however, that the government has made little effort to monitor the impact of the changes. It warns that political pressures over the closure of hospitals may weaken the process of adjustment.

It says that the district health authorities, which purchase health

care on behalf of most people, are short of purchasing skills. The result is that changes in patterns of health care are slow, as districts tend to deal with the same hospitals as before rather than shopping around.

Mrs Virginia Bottomley, health secretary, said it was gratifying that the OECD had recognised the achievements of the reforms.

The organisation says that the NHS has traditionally delivered healthcare at a lower cost than comparable countries. Infant mortality and life expectancy are close to OECD averages.

The centralised control of the health service has been effective in holding down costs, the OECD says, making the NHS a "remarkably cost-effective institution".

The report says GP fundholders have been particularly successful in improving the quality of treatment. It acknowledges the criticism that fundholding may create a two-tier system, but compares that with the already wide variations in the standards of family doctors before the reforms.

It says: "The answer to potential inequity is not to abandon this effective form of purchasing, but to extend fundholding and GP-based purchasing to cover more patients."

Mr David Blunkett, shadow health secretary, said it was easy for Paris-based economists to see the changes through rose-tinted spectacles.

He said: "The reality for patients, nurses and doctors who experience the NHS every day is different, with greatly increased bureaucracy and falling standards of patient care."

VAT on domestic fuel supported

By Peter Norman,
Economics Editor

The government's controversial imposition of value added tax on domestic fuel and power was yesterday given the full backing of the Paris-based Organisation for Economic Co-operation and Development.

In a generally upbeat review of the UK economy the organisation, which is owned by 25 industrialised countries, says levying VAT on fuel and power is desirable for reasons other than safeguarding the environment.

The organisation applauds the VAT-base, it suggests that the VAT rates on fuel, currently 8 per cent and due to rise to 17.5 per cent next April, might be too low.

It says: "Allowing for the environmental costs of energy consumption, an indirect tax rate even higher than the standard VAT rate could be justified on efficiency grounds."

Other UK tax changes of recent years gain less wholehearted support. The organisation notes that more taxpayers have been shifted into higher marginal tax brackets. In addition, the interaction of national insurance contributions and income tax has resulted in an

inflationary fall in marginal income tax rates for people earning about £25,000.

But in general the organisation praises the supply-side reforms introduced since the 1980s to improve Britain's economic structure, although it warns that "the process is by no means finished".

The UK, it says, "now has one of the least regulated labour markets in the OECD". But as elsewhere, "much remains to be done to reduce poverty traps, notably for low-skilled unemployed with dependents and those receiving housing benefit".

The report flees out the analysis and forecast of the UK economy provided in last month's OECD Economic Outlook. It says Britain has made "major strides" in restructuring its economy and should experience steady growth with falling unemployment and a manageable current account deficit in the next 18 months.

Inflation should not be a problem in the next two years but the Treasury and the Bank of England are urged to remain vigilant and take pre-emptive action to keep inflation low when the economy returns to its long-term trend rate of growth.

The OECD warns, however, that unemployment will still be unacceptably high and above its natural rate in late 1995.

It says Britain must continue to upgrade the skill level of its



Buffy Gunnard with goods from Vauxhall city farm which will be on view this weekend at the Lambeth Country Show in Brockwell Park, south-east London. The organisers expect the event, featuring showjumping and Jamaican jazz, to attract 100,000 visitors

National Savings continue to fall

The slide in the contribution of National Savings to government funding continued last month, falling to £405m from £424m in May, Scheherazade Daneshkhu writes.

FINANCIAL TIMES

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Saturday July 16 1994

Time for a new US tune

Successful jazz musicians must combine the ability to improvise with rigorous technique. Though neither President Clinton nor Federal Reserve Chairman Alan Greenspan made a career of their saxophone playing, the US dollar's recent travails demand much the same skills. They are right not to keep slavishly to the market beat, but the underlying theme should not be forgotten.

The week ended better than it began, with the dollar rallying above its record lows against the yen, and long-term bond yields below their levels when Mr Clinton took office. Over the past 18 months, investors have been listening to the US Administration's haphazard comments about the dollar. Mr Clinton may hope that they are now following his plea to judge the dollar by US economic fundamentals. But the verdict on those is more mixed than he implied.

The president's case against a further dollar decline rests on three planks. First, unlike other major industrial countries, US economic recovery is now well advanced, with GDP forecasts promising steady growth in output and jobs for the year and the next. Second, inflation remains subdued; there is little to indicate that a rapid monetary tightening is needed to keep demand in check. Finally, the nascent recoveries in Europe and Japan mean that the American current account deficit, though substantial, has reached its low-point, and should prove less of a worry in the months ahead.

How plausible is all this? The administration's projections for US output growth in 1994, as revealed in last week's mid-session budget review, remains 3 per cent, with the pace expected to ease slightly in 1995. Most observers think that the economy is currently expanding somewhat faster than this, as evidenced by last Friday's leap of 378,000 in the number of jobs. Whatever the true figure, few would argue that America's current problem is anaemic growth.

Performance fears

Fears about current US economic performance do not, however, centre on its weakness. They focus instead on the possibility that the economy is already coming up against capacity constraints that will feed through into wages and prices. Mr Greenspan has raised short-term interest rates four times since February, by a total of 1.25 percentage points. Even Mr Clinton now accepts that the current rate of 4.25 per cent will have to rise before the end of the year.

The two are unlikely to agree on

the timing of that increase, although the president may wish to have the ritual outrage of some constituents well behind him in the run up to November's House and Senate elections. Yet, for the moment at least, both do seem at one in their opinion that interest rates must remain a lever for domestic demand management, not for attempted manipulation of the dollar.

Recent growth

Yet many would cite domestic reasons for lifting that lever as soon as possible. In addition to the buoyant employment figures, for example, capacity utilisation is reaching levels that have historically triggered inflation. Against such capacity pessimism is a currently fashionable view that recent growth in productivity, combined with rapid equipment investment, over the last 18 months is overturning historical truths about US economic capacity.

Prices and wages may not continue to support such optimism, but last week's figures – flat producer prices with a slight rise in consumer prices – did not indicate the need for a drastic correction. In other words, the Federal Reserve chairman was given few domestic excuses for raising rates now rather than at the next time the FOMC meets on August 16.

Where the line between 'domestic' and 'foreign' fundamentals is getting increasingly hard to draw is with regard to the third – and shakiest – leg of the Clinton case for the dollar, namely, the balance of payments. It is the coincidence of two events, one familiar, the other unprecedented, which has caused the trouble. The familiar one is US structural current account deficits, exacerbated by faster domestic growth than in its trading partners. As in the early 1980s, this leaves the US needing to attract foreign capital equivalent to about 2% per cent of GDP to balance the books. What is unique about the current situation is that the need for foreign funding does not end there. Funds must also be found to offset the \$130bn of capital the US is currently sending abroad, compared to an average of only \$10bn a year in the 1980s.

Mr Clinton may be right to argue that the flight from the dollar has been overdone. But he cannot be as confident as he sounds that the fundamentals are on the dollar's side. Its flight is a reminder of long-standing US weaknesses. The world's largest economy is trying to achieve rapidly rising individual incomes with a net saving rate of around 2 per cent. Mr Clinton should tell Congress it cannot be done.

The two are unlikely to agree on

This kerfuffle about salaries is a peculiarly British thing, said Mr John Bellak, once chairman of Severn Trent Water and recipient of a £512,626 pay-off last year. He was reflecting from the Carlton Club in London on the latest arguments about pay, pensions and share options that are swirling around the water and electricity distribution companies, four years on from privatisation.

Some critics charge that the executives of the privatised companies are former civil servants who have managed to get their hands in the honey pot; supporters claim that they are overworked managers battling away in complex industries, whose personal merits are only now beginning to be recognised.

The extremes of the debate are crude, of course, and do not address directly the question of whether reward should be matched to performance. But as annual reports have trickled out recently, and the small print at the back has revealed details of remuneration and pay-offs, critics have become more outspoken: the rewards have been outstripping performance, they say.

In the Commons, warming to the theme that privatisation had turned into a swindle against consumers, Mrs Margaret Beckett, acting Labour leader, asked the prime minister this week: "How can you defend the fact that the chairman of North West Water got £47,000 a year before privatisation and now he gets £338,000?"

Mr John Major defended the water privatisation programme and said directors should abide by the government's strict limits on pay increases for public sector workers. Meanwhile, Mr David Hunt, employment secretary, has been telling executives that those who climb to the top of the ladder should be mindful of their responsibilities to others.

Water and electricity executives might have had an easier time fending off their critics but for three factors: the recession, lay-offs in the privatised industries, and larger bills for consumers. "For a lot of people, when they come into the industry, what really hits them is that they're in a goldfish bowl," said Mr Bryan Townsend, chairman of Midlands Electricity.

Those looking into the bowl see plumper and more valuable shapes than in recent years. This is true even in the goldfish bowl of Scotland, where, as in the case of Scottish Power and Scottish HydroElectric, the privatisations were priced more parsimoniously than the English electricity companies, and where the chairman and senior executives have been a little more restrained in taking salary increases than some of their English peers. None the less, the rises were substantial.

Mr Ian Preston, chief executive of Scottish Power, has seen his pay rise from £38,175 before privatisation in 1991 to £265,000 in 1993-94. Sir Donald Miller, Scottish Power's first chairman, saw his pay increase from £75,873 in 1990 to £203,192 in 1992, the year he retired.

In England, at Northern Electric, the salary of Mr David Morris, chairman, went up in the last financial year to £226,000; it was £72,151 in 1988-90. At Northumbrian Water, Mr David Cranston, the chief executive, earned £150,000 in the last financial year, three times more than the company's managing director at the time of flotation.

On top of their salaries, most directors and senior executives of the privatised companies have been

It's better when you're private

Are the salaries of bosses in former UK public utilities justified, ask FT writers

The utility bosses: cashing in



Sir Desmond Pitcher
chairman of North West Water.
Previous chairman at privatisation
earned £47,000



Bryan Townsend
chairman of Midlands Electricity
Pre-privatisation salary £62,270
*at 31.3.1993



John Bellak
ex-chairman of Severn Trent Water
£512,626 compensation for
early retirement; £404,829 for early
termination of service contract and
£107,797 for future pension
payments. Salary was £230,300

granted options to buy shares at a specific price. There is nothing unusual in this practice: it is a common method of allying hopes of personal fortune to corporate performance. But the bonanza has led to growing calls from the Labour party for an independent inquiry into the way the utilities are regulated.

At Swalec, the south Wales electricity company, Mr Wynford Evans, chairman, has exercised options on 111,510 shares, making a paper profit of just under £300,000. Mr Henry Casley, chief executive, and two other directors of Southern Electricity, had paper profits of more than £1m in total on the exercise of 240,000 share options. The departing last year of Midlands Electricity's managing director, Mr Richard Young, was made more comfortable by his possession of options which could provide a paper profit of more than £500,000.

There is no doubt that, as one City utilities expert put it, "many of the privatised company executives have gone from being moderately comfortable engineers to quite wealthy businessmen in three or four years." But the qualification of the adjectives is significant. As the observer noted: "There are plenty of 30-year-olds in the City making more money than these guys."

The amounts involved are trivial compared with the sums made by property entrepreneurs in 1988-90, when values were surging. But the privatised utilities' executives are a more cautious breed, trained to make technical decisions rather than to play percentages.

"When we were privatised – the 12 English electricity companies – the 12 of us were both chairmen and

chief executives. Eleven of us were long term in the industry, 10 were engineers," recalled Mr Townsend. Now the roles of chairman and chief executive have been split and "virtually all the chief executives are engineers, not all of them from inside the industry."

They have in common the fact that they seem obsessed with work. Mr Alan Smith, managing director of Anglian Water, said he had never worked harder, never worked longer and never worried more than in the years since privatisation.

Many executives have gone from being comfortable engineers to wealthy businessmen in three or four years'

Sir Desmond Pitcher, the subject of Mrs Beckett's ire as chairman of North West Water, uses the golf course and opera house as an extension of his office. "He just hasn't time to be a playboy or anything like that," said a colleague.

Mr John Seed, chief executive of SWEB, the south-west electricity company, started work on Thursday at 7am, finished at midnight and was starting work again yesterday at 7am.

There is little evidence that the higher salaries and the grant of share options has turned the technocrats into hedonists. "After privatisation my salary increased significantly, but I did not buy a bigger house or car. My life did not really

change," said Mr Walter Waring, managing director of Eastern Electricity until 1992.

Such modesty is characteristic.

Sir Donald Miller formerly of Scottish Power has a yacht but did not bother to upgrade it when he moved off nationalised industry pay. Mr Bellak has a rambling country house in Staffordshire, but he owned it before he joined Severn Trent. Mr Preston, also of Scottish Power, who was taking a day off fishing yesterday, "has a smaller house in Glasgow than I have," said a colleague, "and a little cottage in Dumfriesshire." Mr Townsend pointed out: "The big difference is when you retire – if you look at the situation under the old regime, we wouldn't have been very well off at all."

Yet, for all their rather mundane aspirations, the executives and directors of the privatised utilities often attract venom. At the political level, the disparity between their good fortune and the misfortune of those made poor by recession is an easy target. In the City there are expressions of unease at their salary levels.

"These companies were privatised on the cheap as the merchant banks did a good job of persuading the government how little they were worth. They were then given an extremely relaxed regulatory regime as privatised monopolies. The directors were given a wedge of share options and the ability to sack people, so they got large increases in their share prices. So everyone's a millionaire," said a senior fund manager.

The executives in the privatised industries would say this is a gross

exaggeration. They are not defensive about their pay packages. "I would never have come here for £40,000," asserted Mr Michael Hoffman, chief executive of Thames Water, who joined the company nine months before privatisation. "And I would never have recruited top people into other positions if the company did not pay them proper competitive salaries."

Attracting top talent through salaries that compete with the private sector has been a crucial issue since the mid-1980s, when the government was seeking to strengthen the management of the state utilities. Often the incoming managers took pay cuts on the assumption that, as the state utilities absorbed private sector practices, the pay position would be redressed.

Mr Waring argued that one reason for the pay rises of the past three years was the government's refusal to pay a fair salary in the public sector. It was common for senior staff reporting to him to be paid 10 per cent more than directors.

"There were discussions with government about adjusting salaries before privatisation, but they would not do it," he recalled.

After privatisation, as the water and electricity companies went into the market for new staff, they had to pay market rates. This had a retarding effect, as the wages of existing staff were brought into line with the newcomers.

The arrival of new staff was only one element of the changes which took place in the state utilities in the period before and immediately after privatisation. "After privatisation, we had one paymaster. These days we have to explain our strategy and requirements to a wider public," said Mr John Tyree, for the last year non-executive chairman of Yorkshire Electricity. That wider public includes shareholders, City institutions such as merchant banks, the regulators and the customer; it is not as cosy as being an old-fashioned water authority.

This wider range of functions is offered as one justification by executives for their higher salary rates. They also cite the more complex nature of their business. With finite profits from their regulated, mainstream activities, the companies have been diversifying into unregulated business such as power generation abroad, and waste disposal. So new and wider skills have been required.

South West Water hired Mr Keith Court and Mr William Fraser as chairman and managing director just before privatisation. They have not had a pay rise since but, said the company, "they were recruited for their extensive international business experience to manage huge capital programmes and to deliver to budget and on time. It was understood that, if they could deliver, then the rewards would follow."

What these rewards will be is not clear. In industries where, as Mr Bellak noted, "different companies are developing different personalities", the levels of payment will remain a source of contentious debate. As they look out of the goldfish bowl, Mr Court and Mr Fraser will know that, in the interests of peace and quiet, they will have to be able to justify every penny in their pay cheques.

Report by Roland Adshurham, James Buxton, Paul Cheeswright, Stewart Dally, Ian Hamilton Fazey, William Lewis, Chris Tigate

MAN IN THE NEWS: Jacques Santer, the next president of the European Commission

Brussels' beguiling new Bürgermeister

Lionel Barber on the Luxembourg prime minister chosen to replace Jacques Delors



without distinction. Mr Thorn was overshadowed by Viscount Etienne Davignon, the powerful industry commissioner, and many predict that a similar fate could await Mr Santer should heavyweights such as Sir Leon Brittan, the chief EU trade negotiator, retain their posts.

Yet Luxembourgers who know both Mr Santer and Mr Thorn argue that the comparisons between the

groundwork was done for the Maastricht treaty on political and monetary union. British officials recall that Mr Santer and his team stood out in favour of the "pillar system" – the term used to describe the separation of supranational decision-making (trade, agriculture, competition policy) and looser inter-governmental co-operation on foreign policy, defence, justice and immigration.

Mr Santer is a federalist – but only if it means preserving local and national powers in sensitive areas. He prefers the old Treaty of Rome term, "European Community", to the new, Maastricht-inspired "European Union", which implies not so much about loose co-operation and more about the direction of integration. "The big difference with Delors is that Santer does not come from the French centralising tradition," says a colleague of the prime minister.

As Mr Santer told the Luxembourg newspaper this week: "For me, federalism is the opposite of centralism. To help the process of European integration does not mean to usher in a Napoleonic Europe. The more Europe is decentralised, the stronger it is."

Such sentiments will endear him not only to British Euro-sceptics, but also to the foes of Brussels centralism who have become more vocal in France, Germany and Italy since the agreement on the Maastricht treaty in December 1991. His political beliefs spring from a deep conviction that Luxembourg has thrived in the EU, precisely because it has avoided being submerged by a central authority or swamped by its larger neighbours, France and Germany.

This conviction explains the Grand Duchy's resistance to German-led calls for an EU-wide holding tax, which would mean

Luxembourgers predict that Mr Santer will be more independent than expected as president

people has supplied a second president of the Commission in 14 years. Some fear a backlash against Luxembourg, which is already over-represented in terms of institutions and voting weight in EU decision-making.

"A new Bürgermeister is coming to Brussels," summed up one Commission official yesterday.

In fairness, Luxembourg is merely fulfilling its historical role. In the Middle Ages, several counts from the House of Luxembourg were called upon to serve as successive German emperors, because they were compromise candidates who came from a country which did not represent a threat to the Greater Powers.

As Mr Delors might say: "Plus ça change en Europe."

Storms in a coffee cup

Alison Maitland looks at the effect of severe frost in Brazil

Coffee drinkers in Europe and the US may find the prospect of up to 50 per cent rises in the price of a packet of ground beans a little galling. For Brazilian coffee farmers who have lost some or all of their plantations, the frosts that have sent the coffee market into a frenzy this week have been little short of disastrous.

Both farmers and consumers are losers on the coffee market's wheel of fortune. On the winning side are commodity speculators who have made millions of dollars as prices surged, and coffee growers unaffected by the frost whose future profits may be helped.

The combination of last weekend's severe frost with another a fortnight earlier is believed to have been unprecedented in Brazil, the world's largest producer. The damage to the crop that will be harvested this time next year is expected to be the worst since a bitter frost in 1975 destroyed more than two-thirds of Brazil's production.

The prospect of a squeeze on supplies sent prices soaring: in London, robusta beans for delivery in September rose to \$4,000 a tonne, 230 per cent higher than at the end of last year.

Even before the frosts, however, the market had climbed nearly 100 per cent this year, driven by supply shortages, dwindling consumer stocks and speculative interest.

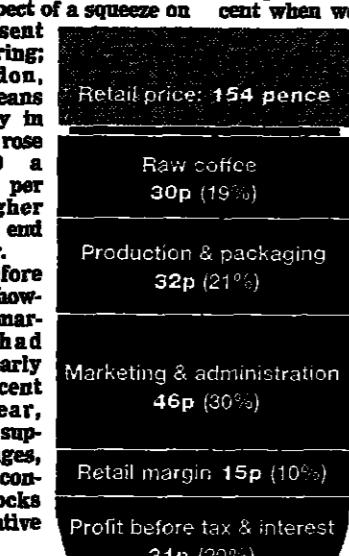
The rise has been all the more remarkable because prices have been depressed for the past four years. Last October the main producing countries began withholding supplies to try to revive the market.

The agreement gave the market an initial boost, and it then gained fresh momentum this year. US investment funds provided some of the impetus, though Mr Robert MacArthur, head of trading in tropical products at Merrill Lynch, the US investment bank, in London, says many took profits at the end of May, when New York arabica futures became volatile. He estimates their well-timed flirtation with the market netted between \$750m and \$1bn – even though they missed the frost-driven rally.

Coffee drinkers have not been so fortunate. The latest surge in world prices signalled the end of a period when self-induced insomnia was cheap, though retail price changes tend to lag behind world bean prices because manufacturers buy stocks four or more months in advance.

Continental European drinkers, who usually prefer ground coffee, should see the biggest price jump: raw beans account for a lower proportion of the cost of instant coffee, where production and advertising outweigh the price of the beans in a jar (see graphic).

Nestlé this week raised ground coffee prices in the US by 13 per cent, and instant coffee by 10 per cent. In Germany some roasters marked up ground coffee prices by 28 per cent and forecast the total



Technology is road to wealth creation in long term

From Dr Neil A Downie.

Sir, In his article "Innovation Technology" (Economic Eye, July 11) Guy de Jonquieres expresses doubts about the value of new technology. Surely he would agree, however, that new technology – created by R&D – is the only long-term source of wealth creation.

After a few decades of development, industry based on a single unchanging technology approaches a plateau of efficiency, and the cost and performance of a manufacture plateaus too. Without the necessary (but not, I agree, sufficient) condition of new technology coming along, long-term prospects are invariably limited.

It is possible for individual companies to flourish without new technology if they are looking for short-term gains, or if they are small niche firms. (No doubt a stone-axe manufacturing plant could still today be made a paying proposition). These possibilities have a tendency to blind us to the essential role of new technol-

ogy in wealth creation.

For the larger firms, those looking for long-term advantage, and for nation states, new technology is essential. On a national level, for example, high technology companies are very important. In my own sector, that of semiconductor equipment manufacture, UK companies typically export 75 per cent of their sales.

The fact that worldwide government needs the need to inject taxpayers' money into it is a reflection of the importance of new technology, and the failure of private industry to invest in it sufficiently.

I fear for the future of UK industry if we carry on as we are: we have many companies bent on short-term returns and ignoring investment in new technology, and at the same time, we have government policy decisions which are withdrawing taxpayers' money too.

Neil A Downie,
chief executive,
JEMI UK

4 Church Cottages,
Wegbridge Road,
Addlestone, Surrey

US policy options over Haiti are increasingly pointing down the path of invasion, says Jeremy Kahn

For the Clinton administration, about the only good news to come out of Haiti's capital, Port-au-Prince, this week was reports of bad weather. Rough seas buffeted the coast of the troubled Caribbean nation, slowing the tide of boat people and granting the White House the time it desperately needs to shore up its Haiti policy.

The island has unsettled President Bill Clinton since he took office in January 1993, forcing on him numerous about-turns. As more than 1,000 Haitians a day take to boats to escape deepening economic hardship and political repression, solutions to the crisis are fast running out.

Even as Mr Clinton toured Europe this week, the outlaw nation 700 miles from the US coast was demanding his attention. US backing for the United Nations' trade embargo has so far failed to oust the military regime of Lt Gen Raoul Cedras, which overthrew elected President Jean-Bertrand Aristide in September 1991, and to return Mr Aristide as leader.

Lt Gen Cedras remains defiant. This week, he ordered 104 UN observers out of the country as they were reporting increasing human rights abuses – including political murders and rape.

If sanctions do not force Lt Gen Cedras to step down soon, pressure may mount for the US to do more than commit itself to leading a multilateral force to police Haiti if Mr Aristide is returned to power. Two considerations are propelling the US towards invading the country of 5.5m: first, the swelling numbers of refugees, and second, the deteriorating human rights conditions in Haiti.

"There are not any other politically attractive options short of military intervention," said Mr Eric Melby, a former National Security Council staff member under President George Bush. Mr Anthony Lake, Mr Clinton's chief national security adviser, has said invasion appears inevitable.

The US administration has stepped up its rhetoric in recent days, issuing thinly veiled threats of military action. Pentagon officials acknowledge the military has already drawn up and rehearsed detailed contingency plans for military action.

With a four-ship amphibious assault group offshore, ostensibly ready to

English local government is about to go back to the future – or, more accurately, forward to the past.

The result of Sir John Bannister's Local Government Commission, the agency in charge of planning the reorganisation of English councils, looks increasingly likely to be the restoration of the system as it was before 1974, when local maps were last redrawn.

That outcome might not seem obvious from the controversial recommendations the commission has made so far. But with proposals for 33 of the 36 English shire counties published, the survival of county councils, albeit in some cases without their largest towns, is now probable across much of the country. Some 30 large towns and cities seem set to take over all local government functions for their citizens, in effect restoring the old county boundaries swept away in 1974.

Ministers are startled by this prospect. They intended the commission to be the engine of radical change. Both Mr Michael Heseltine, who set up the commission when environment secretary in 1991, and his successor, Mr John Gummer, favoured a nationwide system of unitary councils which combined the functions of counties and districts.

But the mechanism chosen for drawing up reform plans now looks almost designed to ensure ministers' grandiose ambitions would not be realised. Learning from the unpopular 1974 reorganisation, handled by a royal commission, Mr Heseltine decided the approach this time should be consultative, treating each county individually.

Superficially, the commission has drawn up a plan in line with Mr Heseltine's original intentions, recommending

No sign of comfort in the south

200 M	320 KN
US assault force	
12 warships	
15 coast guard vessels	
2 amphibious assault ships	
2,000 marines	
plus 82nd Airborne Division paratroops	
Source: US Department of Defense	



Watershed: US coast guards rescue Haitian migrants off the coast of Haiti

evacuate US citizens or other foreigners, the US could be ready to invade this weekend, when a command and control ship arrives to lead the assault group. But officials have said privately an invasion is more likely in early August, when the US Congress – hesitant, like the American people about the human and financial costs of military intervention – is in recess and thus unlikely to cause political embarrassment for Mr Clinton.

The invasion would probably begin in darkness, as special forces move to secure the airport, presidential palace, radio station and port facilities in Port-au-Prince, according to Mr Daniel Gouré, deputy director for political-military studies at the Centre for Strategic and International Studies in Washington.

Following these units, the 2,800 Marines now off Haiti's coast would come ashore either by landing craft or helicopter to secure the capital. Mr Gouré said they would be reinforced by paratroopers – probably the US 82nd Airborne Division – and units trained in jungle warfare, which would be responsible for controlling the rest of the country.

Clinton administration officials have said it would take between 10,000 and 20,000 troops to capture the island. They would be likely to face little organised resistance from Haiti's ill-equipped and poorly trained army of 7,000.

It is the prospect of a prolonged presence in Haiti that most worries the Pentagon. Mr Gouré predicts the US would have to stay at least eight to 16 weeks, while a multinational peace-keeping force from Latin America and the Caribbean under UN auspices is organised and trained. He said there is significant risk that Haitians, who harbour strong anti-colonial sentiments, would turn against their US "liberators," as happened in Somalia.

With no Haitian tradition of democracy, the US would have to provide much of the physical and political infrastructure for a new government. Even then, the chances of salvaging the poorest country in the western hemisphere are not good.

Given these grim assessments, the US state department has been scrambling for a diplomatic solution. One option would be to build a reconcilia-

tion government including both pro-Aristide and pro-military factions. "There is the option of trying to support a government of reconciliation," Mr Gouré said. "That is the least bad alternative."

However, state department officials said the idea is no longer under discussion and Mr William Gray, Mr Clinton's special adviser on Haiti, said the time to negotiate had passed.

Mr Clinton's problems with Haiti began during the 1992 presidential campaign. He described the Bush administration's policy of repatriating all Haitian refugees picked up at sea as "illegal" and "immoral." Soon after he took office came the first embarrassment: the repatriation policy was maintained.

Administration officials admit they panicked, following faulty intelligence reports which led them to believe a policy change would unleash 150,000 to 200,000 boat people on the US.

Mr Rick Szwarc, a Washington lawyer who represents several Haitian

human rights groups, said Mr Lawton Chiles, governor of Florida – the state that would probably absorb most refugees – also lobbied Mr Clinton strongly to keep out the boat people.

In June last year, the White House decided to back the sanctions to help speed the faltering talks with the regime. The tactic worked, and the Cedras government and Mr Aristide met at Governor's Island, New York, one month later.

But when the US Navy attempted to bring Mr Aristide to the capital, Port-au-Prince, in October, the military reneged on the agreement. A US warship discovered an angry anti-Aristide mob at the dock and Mr Clinton ordered it to return home.

Soon after, Mr Aristide began to criticise US policy toward the refugees. After a coalition of black congressmen took up Mr Aristide's cause, Mr Clinton in May announced the appointment of Mr Gray, a prominent former black congressman, as special adviser on Haiti. He also said the repatriation policy inherited from the Bush administration would change: all Haitian boat people would receive asylum hearings aboard US Navy ships off Jamaica.

"Under Clinton, [Haitian policy] has been driven predominantly by domestic politics," Mr Preer said. "Very narrow interest groups that are pro-Aristide have a lot of influence."

The new policy prompted more Haitians to flee by boat, after reports that 30 per cent of those applying for asylum in ship-board hearings were being granted safe haven in the US – against 5 per cent at land-based processing centres in Haiti.

Hoping to discourage the exodus and buy time for sanctions, Mr Gray announced another change: Haitians taking to the sea would no longer be given asylum in the US. They would be processed under a relaxed standard for safe haven in other countries in the region, most notably Panama – which had agreed to accept 10,000 boat people.

Less than a day later, on July 7, the new US policy was dealt an apparently fatal blow. Panamanian President Guillermo Endara, facing strong domestic opposition, withdrew his offer to house the refugees. At that moment, the risky invasion which Mr Clinton had sought to avoid came one step closer.

Oxfordshire MP, supports the status quo in the county. All four Somerset Conservative MPs, including Mr Tom King, former defence secretary, oppose abolishing the county. The commission also now seems to have doubts about reorganisation. Sir John himself says: "Any reorganisation costs more and delivers less than its proponents suggest."

If the status quo emerged as a popular option after the extensive consultative exercise on which it is now embarking (leaflets are being sent to every household), the commission could drop its main recommendations for changes without embarrassment. Sir John clearly believes this could happen. "In all the surveys we've done, the level of popular support for unitary districts in shire England is very low indeed," he said last month. "People in shire England do not want to see a Balkanisation of local government."

Perhaps significantly, ministers have recently gone quiet about their desire for unitary councils. The review was a hopeless vehicle to deliver it in any case. As one commissioner put it: "A leisurely review like this might have been used for some tinkering at the edges, but it would be impossible to push through anything more radical." Opponents will have plenty of opportunities to try to block changes when they are debated individually in Parliament.

As a result, the new local government map will almost certainly be very different from the one ministers had in mind. But as it is due to be implemented at about the time of the next general election they may be grateful that the commission has offered an escape route from the original plan for root-and-branch reform.

Town hall trench tactics

John Authers on the (lack of) upheaval in English councils

that 22 county councils that should be replaced by unitaries, but it is clear such radical change will not happen: the commission has failed to find much support for unitary councils and has said the status quo should be an option in 13 of the counties recommended for abolition.

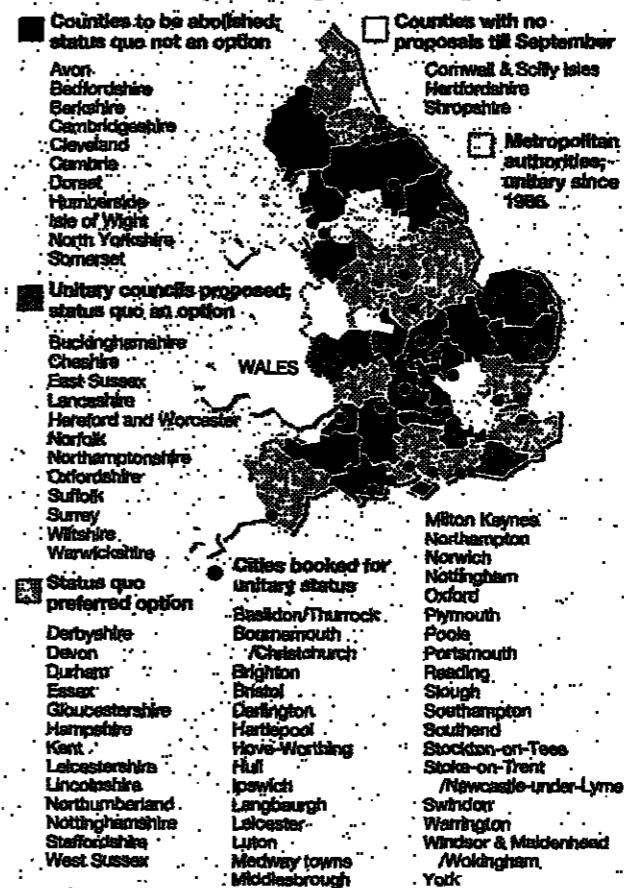
Where change is likely is in towns which would regain county borough status under the commission's proposals and the fastest-growing newer towns, such as Milton Keynes and Swindon, which will be added to that list, mostly with support from the commission.

There is also a consensus in other areas in favour of upholding the 1974 changes. All counties created by the 1974 reorganisation, such as Avon and Humberside, have been recommended for abolition, while Herefordshire, Huntingdonshire and Rutland, which disappeared in 1974, will be reinstated.

But the commission hit problems when trying to construct unitary authorities outside cities. It believes a minimum population of 150,000 is needed to make a unitary authority financially viable. In rural areas, that requires a large geographical area. For example, the proposed unitary version of the North Riding of Yorkshire would merge four district councils and stretch almost from the North Sea to the Irish Sea – dubbed "Shambleshire" by the Association of District Councils.

Mrs Ann Lewick, the commis-

Banham's map for English local government



services and endanger jobs. The Labour party supports unitary councils in principle, but says it will vote against reorganisation proposals unless guarantees are made for council employees' job security.

Conservative grandees also oppose reform. Mr Douglas Hurd, foreign secretary and an

No complaints, whatever the 'human need'

From Mr Ernest Gobert.

Sir, I congratulate John Willman on his "dispensation of a biblical text" to the bishop of Birmingham. "Judge not, that ye be not judged," July 9.

The bishop obviously aspires to the sort of health service countries like East Germany. Allow me to relate a story I heard in Berlin the other day.

Unwell lady in what was East Berlin to a friend in West Berlin. "I got my appointment with the specialist for last Wednesday at 9am. I sat there all day. At 6pm they told me to make another appointment."

Lady from West Berlin: "Did

you not complain?" Answer: "It would not be allowed." A

That is how an all-powerful state treats its citizens. Even after four years of being allowed to complain they are still afraid to complain. And so much for the bishop's "basis of a human need".

I do recommend a trip to east Germany to anybody who wants

COMPANY NEWS: UK

Hartstone £71m in the red and calls for £30m

By Simon Davies

Hartstone, the struggling hosiery and handbags group, yesterday launched a £30m rescue rights issue, after revealing a pre-tax loss of £70.7m for the year ended March 31.

The rights issue was long expected, as Hartstone had committed to repay £15m to its principal creditors by October, but the stock market reacted badly to the level of discount for the new shares. Hartstone's shares closed 10p lower at 22p.

The company's problems stemmed from its aggressive expansion into Europe just before the recession set in. It purchased 20 companies in a four year period, but failed to establish adequate financing and management controls.

Hartstone has been forced into a programme of asset disposals, under Mr Shaun Dowling, chairman, who was appointed in May 1993 to keep the company afloat.

The rights issue is designed to shore up the group's battered balance sheet, reducing its gearing levels to within the permitted maximum level under its articles of association, and pay down its principal debt.

Mr Dowling said: "The rights issue will put the group on a stronger financial footing for the future and will allow the team to devote its attention to the development of the group's core businesses". This is primarily its leatherware business.

Hartstone is offering 215.6m new shares at 15p on a 2-for-1 basis. The issue is fully under-

written by Schroders.

Of the £30m proceeds, £15m will be repaid to creditors, and £18.1m will provide working capital. Charterhouse Bank has an option to utilise £2.2m of a term loan to subscribe for rights shares.

At the year end, the company had net borrowings of £6.2m with 23 banks. This was substantially below the 1993 level, but due to the write-down of assets gearing increased to 310 per cent. After the rights issue, gearing will fall to 65 per cent, with net debt of £31.8m.

Hartstone remained profitable at the operating level last year, and its problems stemmed from its disposal programme and the extent of its restructuring.

Turnover from continuing businesses rose by 6.5 per cent to £233.4m, although total turnover fell to £268.9m (£370.2m).

The group's core businesses of Etienne Aigner and Michael Stevens in its leatherware division and Spanish hosiery subsidiary Azana, all remained highly profitable, and total operating profit before extraordinary items and interest amounted to £11.7m (£16.7m). Last time there was a pre-tax loss of £9.86m.

Hartstone paid £10.9m (£7.9m) of interest. Exceptional losses came to £71.5m (£18.7m), of which £50.9m represented the write-off of goodwill after disposals.

The company is proposing to pay a final dividend of 0.25p for the year to March 1995, but it will not pay a dividend for 1993-94. Losses per share amounted to 68.2p (12.4p).

Pelican achieves near threefold rise to £2.5m

By Simon Davies

Pelican Group, the highly acquisitive USM-listed restaurant operator, yesterday revealed a close to threefold increase in pre-tax profits from £908,000 to £2.5m for the year to March 31.

Organic growth came primarily from the rapid expansion of the Café Rouge chain, which now has 20 outlets within Greater London. Four more sites are currently under development and others are under negotiation.

Pelican also benefited from the acquisitions of three other chains last year, Yankee Noodle, Jim Thompson's Spice Island Trading, and US restaurant operator Café Tu Tu Tango. Overall, Pelican now operates 47 restaurants, compared with just 15 in May 1993.

Turnover more than doubled in the year to £16.47m (£8.08m), and it will show substantial growth in the current year following the £11.5m acquisition last April of 16 restaurants from Forte, including the Dôme caffs.

In addition, it has just signed an agreement enabling Grand to set up diners at its 23 motorway service stations under Pelican's Rock Island Diner brand name. Pelican will receive a share of turnover, and the first restaurant, in Tamworth, Staffordshire, should open at the end of July.

Operating margins improved slightly to 16 per cent, but Mr Roger Myers, chairman, said Pelican aimed to maintain margins and use the improved cost efficiency of the enlarged group to boost the restaurants' competitiveness.

During the current year Mr Myers said Pelican would focus on completing the expansion of the Café Rouge and Dôme chains in Greater London. Next year it plans to take its first steps in expanding beyond the M25, moving into southern England.

Pelican is proposing to lift the single final dividend by 14 per cent to 1.25p (1.1p).

Earnings per share rose by 2.5 per cent to 4.5p (4p). The shares closed 2p higher at 51p.

Kazakhs celebrate gold rush in style

By Kenneth Gooding in Astana, Kazakhstan

It is by the demanding standards of the international mining industry, this has been a great party. Not one, but two public holidays were brought forward so that everyone in Astana, a frontier town of 6,000 people, could celebrate in style the first gold "pour" from the new treatment plant at the Bakyrchik mine.

Out on Kazakhstan's north eastern steppes, 1,000 kms from the capital Almaty, in yards - the felt tents used by central Asian VIPs including several ministers dined on local delicacies such as boiled sheep heads and fermented mare's milk.

And looking slightly incongruous in this setting were about 50 visitors from the City of London, watching the Kazakh horse racing, wrestling and other more exotic entertainments lasting through the night.

The London-based investors and analysts are here to reassure themselves about the Bakyrchik gold mine. In the past year £11.5m has been provided towards the first joint venture in the gold business between a western company and this newly independent former part of the Soviet Union.

The money was raised by Bakyrchik Gold, a company listed in London which has 40 per cent of the joint venture. Some of the proceeds have been used to raise annual gold output from the mine to 45,000 ounces but also for a feasibility study to see if modern mining and processing methods could boost Bakyrchik's production to 275,000 ounces.

Although it promises much - it is on one of the world's biggest gold deposits with resources of 8.5m ounces - conditions underground at the mine are extremely difficult. The ore is hard to process and contains arsenic.

The feasibility study shows the problems can be overcome. Before the year end Bakyrchik Gold is to go ahead with plans to lift production at a cost of £125m (£82.2m). Mr David Hooker, the chairman, says most of the money will be raised from shareholders because debt offered by banks would be expensive and the terms onerous.

Mr Nursultan Nazyrbayev, president of Kazakhstan, was expected to host a conference for the London investors last night to stress his personal interest in the project.

He wants it to succeed as Kazakhstan needs to increase gold production to provide backing for its fledgling currency, the tenge. He also wants more foreign investment in Kazakhstan, a country as vast as western Europe, stretching between Russia and China and richly endowed with natural resources.

Enough to give a one-legged stork an ulcer

Paul Abrahams on the problems for Glaxo as it faces an end to 15 years of growth

Glaxo is at the crossroads. During the 1980s the company was headed in one direction -

medicines doctors can prescribe.

Dr Roy Vagelos, Merck's chairman, claimed the deal would remodel not only Merck, but also the entire industry.

In part, this was because it would allow Merck to supply more of its products to Medco's patients. More importantly, it would permit Merck to collect data about the cost-effectiveness of its treatments - a vital factor in an increasingly cost-conscious health environment.

Dr Vagelos' counterparts at SmithKline Beecham and Eli Lilly were sufficiently impressed by this strategy to acquire the remaining two significant PBMs, so effectively preventing Glaxo from following a similar route.

At Glaxo, Sir Richard's apparent paralysis is all the more perplexing because the company's immediate problems seem so acute.

Salomon Brothers are predicting that the group's profits will fall in 1995 and 1997, ending 15 years of unbroken growth.

The main reason for this possible profits fall is the gloomy prospects for Zantac, the world's top-selling drug, with sales last financial year of £2.17bn.

Zantac's very success has made the whole group vulnerable. Glaxo is dependent on Zantac for 44 per cent of group sales and probably more than 50 per cent of profits.

Glaxo has effectively become a one-legged stork, in the same way that Roche became dependent on Valium during the 1970s.

All the deals were designed to strengthen the group's respective strategic positions. But the methods used to achieve this aim were very different.

Roche's £5.3bn purchase of Syntex was a classic horizontal acquisition, giving the Swiss company greater weight in the US and expanding its product range in its traditional areas.

Merck's acquisition of the US distribution group Medco last July was, by contrast, truly revolutionary. It introduced the concept of vertical integration to the pharmaceuticals industry.

Medco is one of a number of the increasingly important pharmaceutical benefit management companies. PBMs control drugs spending through a variety of means, but, most importantly, through negotiating discounts and creating formularies which limit the

use of its US sales force. But if management has overestimated its future sales growth, the group could be forced to make heavy restructuring provisions.

Whatever direction Sir Richard and his team pick, there remain questions over the management's ability to implement change.

Glaxo's managers have been successfully focused on research, development and marketing. It remains unclear whether the company, accustomed only to growth, can cope with costs and costs.

One option Sir Richard can

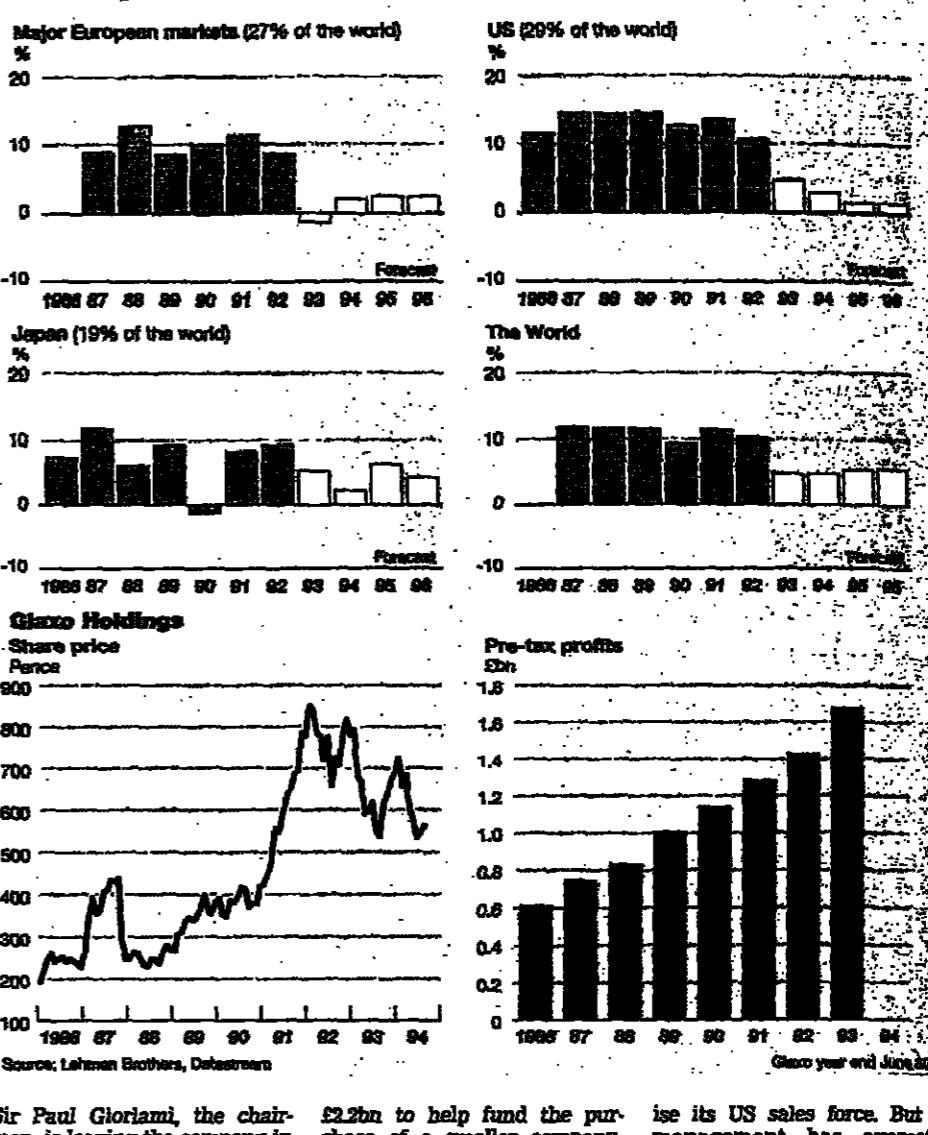
not afford is to stay stationary.

The environment, particularly in the US, is changing too fast for continued inactivity.

The sign-posts are easy to read; choosing which one to

follow is more difficult.

World pharmaceutical market growth



Source: Lehman Brothers, Datamark

Glaxo year end January

Price Waterhouse chief goes to Charterhouse

By Andrew Jack

Mr Howard Hyman, head of corporate finance at Price Waterhouse, the UK's fifth largest accountancy firm, is to become managing director of Charterhouse, the merchant bank.

The move will come as a blow to Price Waterhouse, which was planning to announce Mr Hyman's appointment as world head of corporate finance later this month.

Royal Bank of Scotland sold 90 per cent of its ownership of Charterhouse at a loss earlier this year, with the stakes going to Credit Commercial de France and Berliner Handels und Frankfurter Bank.

Mr Hyman, who is 44, will also become deputy chairman of Charterhouse Bank, the company's banking subsidiary.

He will be responsible for marketing and business development strategy, and the development of its European corporate finance network.

He has spent the last few years building up Price Waterhouse's pan-European corporate finance network.

He said negotiations for the move had started relatively recently and that he had been offered "a very attractive" remuneration package.

"My main aim is to build up the European side," he said.

Huntingdon may sell two businesses

By David Wighton

Huntingdon International, the life sciences group, is investigating the sale of its UK-based consultancy, Travers Morgan, and its engineering and environmental services business in the UK.

Discussions on the sale of the remaining businesses in Huntingdon Electronics were continuing.

Sir Colin said that once buyers had been found for these, the group's investment programme would be complete.

The chairman also said that Thorn had signed a letter of intent to increase its holding in Toshiba-EMI, its joint music venture in Japan. Under the agreement, Thorn's stake in the venture would rise from 50 to 55 per cent.

They were built up by acquisition in the late 1980s by Mr Benjie Wooley, the chief executive, who resigned two months ago.

The group called in Kleinwort Benson, the merchant bank, to help it identify strategies for the businesses and is now considering the options proposed.

Yesterday the company said that it was "investigating with Kleinwort Benson the possible sale of one or both businesses.

In the meantime, the management of those businesses together with Huntingdon will take all necessary actions to optimise performance and ensure clients continue to be serviced at the highest standards."

Travers Morgan is an international consulting firm specialising in engineering, management, transport and environment. Its profits fell from £1.33m to £2.43m in the six months to March.

The US business recorded an operating loss of £2.68m in the first half.

Cardiff Property's revised offer for First Choice Estates has been declared unconditional, after acceptances were received in respect of 4.89m ordinary (55.17 per cent) and 722,400 ordinary (66.57 per cent).

To date, First Choice shareholders holding 31.64 per cent of the ordinary and 33.35 per cent of the A ordinary have elected for the part cash alternative.

This election has been extended for a further 21 days until August 4.

No Thorn EMI demerger yet

By Michael Skapinker, Leisure Industries Correspondent

Shares in Thorn EMI fell by 9p to 1065p yesterday as Sir Colin Southgate, the chairman, dismissed reports that the music and rentals group was about to be demerged.

Sir Colin told the group's annual meeting that the current group structure was a positive advantage and added significant value.

Speculation that a demerger announcement was close had helped lift Thorn's shares from 1039p on Monday morning to 1074p on Thursday.

Sir Colin suggested that the board would not return to the demerger question

for a year.

He said: "As a board, we review the group strategy once a year. I am able to tell you that at our recent strategy review - held over the past two days - the board did analyse, in great detail, the strategic options for the business. The immediate challenge is to capitalise on the excellent prospects which now exist for our business."

The speculation that Thorn would be split into two companies - one centred on music and one on rentals - arose because the group appeared close to completing its disposals programme.

Sir Colin has said in the past that the time to discuss demerger would be when Thorn had sold the businesses it no longer

wanted.

He said yesterday that the group raised £12.3m last year from divestments of non-strategic businesses, including Thorn Lighting and its majority interest in Thames Television.

Discussions on the sale of the remaining businesses in Thorn Electronics were continuing.

Sir Colin said that once buyers had been found for these, the group's investment programme would be complete.

The chairman also said that Thorn had

signed a letter of intent to increase its holding in Toshiba-EMI, its joint music

venture in Japan. Under the agreement, Thorn's stake in the venture would rise from 50 to 55 per cent.

Earnings per income share were 4.45p (4.01p). An unchanged interim dividend of 3.9p has been declared.

Net assets per share of General Consolidated Investment Trust

fell by 26 per cent to 214.3p

US West set to enter cable TV with Atlanta purchases

By Richard Tomkins
in New York

US West, one of the six US regional telephone companies, yesterday appeared poised to become the first Baby Bell to enter the US cable television business, after agreeing to buy two Atlanta-based cable systems for \$1.2bn in cash and shares.

It has agreed to buy Womato and Georgia Cable Television from the privately held Robert M. Bass group, and plans to use them to provide 466,000 households in metropolitan Atlanta with interactive information and entertainment services.

US West said the price it was paying - \$490m in US West stock - \$161m in assumption of debt, and the balance in cash - was equivalent to 11.1 times

the systems' annualised fourth-quarter cashflow.

The acquisition comes amid a whirlwind of activity by US media groups, as they scramble for positions in the fast-developing US communications industry.

Earlier this week, Comcast, one of the biggest US cable television companies, overthrew a planned merger between QVC, the home-shopping channel, and CBS, the broadcast television network, by launching its own \$2.2bn bid for QVC.

Yesterday's agreement marks the third attempt by a Baby Bell to move into the cable-television division of the Time Warner media group.

Bell Atlantic tried to take over Tele-Communications Inc. and Southwestern Bell had planned a joint venture with Cox Enterprises, but both deals

collapsed earlier this year. Two weeks ago Bell Atlantic won regulatory approval for an alternative strategy: competing head-on with cable television companies by providing interactive television services over its telephone wires.

US West has already entered the cable television industry in the UK, where it has a joint venture with Tele-Communications Inc. which provides cable and telephone services in 16 owned and eight affiliated franchise areas.

In the US, US West has a 25.51 per cent stake in Time Warner Entertainment, the cable-television division of the Time Warner media group.

The two are working in partnership to speed development of so-called full service networks in the areas they serve.

Eli Lilly net steady at \$346m

By Richard Tomkins

Eli Lilly, the US drug company that earlier this week announced the \$4bn acquisition of PCS, a drug distributor, yesterday reported almost unchanged net profits of \$346.8m for its second quarter.

It blamed the lack of growth on several factors including higher manufacturing costs, increased spending on research and development, and a special charge of \$10m relating to the previous quarter's

recall of three liquid oral antibiotics.

The volume of products sold surged by 11 per cent, both in the US market and internationally, mainly because of increased sales of products such as Prozac, Axid and Humulin. Turnover, however, grew by 8 per cent to \$1.88bn because volume growth was partly offset by lower prices in the pharmaceutical division.

Worldwide, Eli Lilly said, competitive pressures were particularly evident in anti-infectives sales. In the US, lower prices resulted from increased Medicaid rebates and greater participation in managed-care programmes.

The \$10m special charge was in addition to the \$56m charge already provided for the product recall in the first quarter.

Net income was barely changed from the comparable quarter's \$346.8m. Earnings per share were up slightly, to \$1.30 from \$1.18. For the half-year, net income was down 5 per cent to \$677.2m.

It also noted double-digit growth in sales of application-specific and mixed-signal semiconductor products.

"Forces driving the longer-term growth of the world [semiconductor] market remain intact," it said. "The Asia-Pacific region continues to be the fastest growing semiconductor market in the world." It is expanding its resources in Asia to meet a rapidly expanding customer base, the company said.

For the half-year, revenues were \$4.96bn, up 24 per cent from \$3.99bn in the first half of 1993. Net income was \$318m, or \$3.35 a share, compared with \$192m, or \$2.04.

The first-half results include a first-quarter \$132m pre-tax charge for costs of restructuring TI's European operations and the sale of some computer product lines. The charges were partly offset by a one-time gain of \$55m from royalty revenues.

Earlier this year Hoechst said it would cut 2,000 jobs in the fibres sector and introduce performance-related pay.

Mr Wenzel said he could not rule out further job cuts to put the fibre business back on track by the end of 1995.

Environmental operating costs in Germany in 1993 at Bayer were \$316.2m, not \$312.2m as published in a table in the Chemicals in the Environment survey (June 30). The figure in the total spending column should have read \$1.102.17m and in the percentage of sales column, 4.45 per cent.

It was created as a response to "structural problems in western European fibres, textile and clothing industries. Traditional suppliers are facing increasing pressure on prices and cheap imports from Asia and eastern Europe," said the company.

Earlier this year Hoechst

announced it might close plants in the drive to return its west European fibres sector to profit by the end of 1995.

There were no immediate plans for closure, but the company's west European fibres operations lost between DM200m-DM300m (\$123m-\$184m) last year, said Mr Hans-Udo Wenzel, appointed a week ago as managing director of Hoechst Trevira, the fibres arm.

Hoechst Trevira, a new company which will employ 5,000, is the result of a decision by the parent company to concentrate its European fibre business into a wholly-owned but separate company. It will start operations on October 1.

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WEEK IN THE MARKETS

Coffee trade stays on frost alert

London coffee traders proved reluctant yesterday to leave themselves exposed to the possibility, however remote, of a third damaging frost hitting Brazilian growing areas this weekend. Having followed New York lower in early trading, the market gradually clawed back losses and by the close at the London Commodity Exchange September delivery robusta futures were quoted at \$3.80 a tonne, up \$24 on the day. That was \$25 below Wednesday's 8-year peak but still \$70 up on the week.

Weather forecasters saw little prospect of a repeat of last weekend's Brazilian frost, which, together with the one that hit two weeks early, is expected by some analysts to cut the country's 1995-96 coffee crop to below 15m bags (60kg each) from the 25m forecast previously. But traders were taking no chances, especially as next week will bring a new moon, which is often associated with frosty weather.

The retreat from the highs had been heavily influenced by technical considerations - Monday's opening leap left a huge "gap" in the charts - but it was also encouraged by expectations, later confirmed, that the Brazilian government was about to reopen export registrations, which had been closed while it assessed the extent of the frost damage.

The cocoa market has been very much in coffee's shadow of late, but the £1.073 a tonne reached by the second futures position yesterday was the highest since it hit a 6½-year peak of £1.085 in May. And it would certainly have deserved that level had it not been for the slide in the value of the dollar since then, which has held back London's sterling-denominated cocoa prices. The price finished at £1.068 a tonne, up £50 on the week.

At the London Metal Exchange prices were generally

Richard Mooney

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1994 High	Low
Gold per troy oz.	\$365.20	+1.80	\$293.50	\$368.60	\$369.90
Silver per troy oz.	335.30p	+4.20	330.85p	334.50p	333.30p
Aluminium 99.7% (cash)	\$1523.50	+7	\$1195.65	\$1529.00	\$1071.50
Copper Grade A (cash)	\$247.00	+22.5	\$1914.00	\$2471.00	\$1731.50
Lead 99.99% (cash)	\$389.00	+10.5	\$381.50	\$395.50	\$371.50
Nickel 99.99% (cash)	\$1575.00	+26.5	\$1540.00	\$1590.00	\$1520.00
Zinc SHG (cash)	\$265.50	+2.5	\$252.00	\$261.00	\$250.50
Tin (cash)	\$545.40	+140	\$495.00	\$560.00	\$473.00
Cocoa Futures Sep	E1088	+52	E787	E1068	E388
Coffee Futures Sep	E3829	+757	E3282	E3829	E175
Sugar (LDP Raw)	E287.75	+7.5	E280.40	E292.50	E275.00
Butter Futures Nov	E105.75	+1.5	E103.00	E108.00	E103.00
Wheat Futures Nov	E152.00	+0.90	E147.65	E157.00	E147.00
Cotton Outlook A Index	80.70c	-0.75	58.10c	87.10c	62.45c
Wool (84% Super)	421p	-5	348p	428p	342p
Oil (Brent Blend)	E17.78x	+16.65	E16.05	E18.05	E13.18

Per tonne unless otherwise stated. p Pence/4kg. c Pence/5kg. x Sup

COMMODITIES AND BOND PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM 99.7 PURITY (5 per tonne)

Cash 5 mths

Close 7829.30 1544.45

Previous 1528.5 1542.3

High/low 1535 1540.40

AM Official 1534.5-8.0 1547.5-8.0

Kerb close 1541.2

Open int. 294.851

Total daily turnover 622.240

■ LEAD (5 per tonne)

Close 1515.25 1556.40

Previous 1510.15 1530.5

High/low 1540/1535

AM Official 1522.33 1545.80

Kerb close 1530.40

Open int. 2.770

Total daily turnover 496

■ NICKELS (5 per tonne)

Close 8270.80 8480.65

Previous 8280.00 8300.00

AM Official 8350.00 8450.50

Kerb close 8400.00

Open int. 80.01

Total daily turnover 13.061

■ TIN (5 per tonne)

Close 5915.25 6023.3

Previous 5908.5-7.5 597.7-5

High/low 5908.00 5900.00

AM Official 5945.5-5.5 6026.5

Kerb close 6040.00

Open int. 42.270

Total daily turnover 8.080

■ ZINC (5 per tonne)

Close 8270.80 8480.65

Previous 8280.00 8300.00

AM Official 8350.00 8450.50

Kerb close 8400.00

Open int. 80.01

Total daily turnover 13.061

■ LONDON STOCKS (As at Thursday's close)

Aluminium -11.625 to 2.571/125

Aluminium alloy -20 to 28.180

Copper -3.425 to 542.50

Lead 2.250 to 12.050

Zinc +24 to 12.545

Tin +235 to 30.900

■ GOLD COMEX (100 Troy oz. \$/troy oz.)

Cash 3 mths

Close 2829.30 1544.45

Previous 1528.5 1542.3

High/low 1535 1540.40

AM Official 1534.5-8.0 1547.5-8.0

Kerb close 1541.2

Open int. 294.851

Total daily turnover 622.240

■ PLATINUM NYMEX (500 Troy oz. \$/troy oz.)

Cash 5 mths

Close 4182 1417

Previous 4177 1421

High/low 4182 1417

AM Official 4182 1417

Kerb close 4182 1417

Open int. 2.770

Total daily turnover 496

■ PALLADIUM NYMEX (100 Troy oz. \$/troy oz.)

Cash 5 mths

Close 1474.20 1474.20

Previous 1473.20 1474.20

High/low 1474.20 1474.20

AM Official 1474.20 1474.20

Kerb close 1474.20 1474.20

Open int. 2.770

Total daily turnover 496

■ SILVER COMEX (100 Troy oz. \$/troy oz.)

Cash 5 mths

Close 594.75 1544.45

Previous 594.75 1544.45

High/low 594.75 1544.45

AM Official 594.75 1544.45

Kerb close 594.75 1544.45

Open int. 2.770

Total daily turnover 496

■ COCOA LCE (10 tonnes)

Cash 5 mths

Close 1495.20 1544.45

Previous 1495.20 1544.45

High/low 1495.20 1544.45

AM Official 1495.20 1544.45

Kerb close 1495.20 1544.45

Open int. 2.770

Total daily turnover 496

■ COCOA LCE (5000kg metric tonnes)

Cash 5 mths

Close 1495.20 1544.45

Previous 1495.20 1544.45

High/low 1495.20 1544.45

AM Official 1495.20 1544.45

Kerb close 1495.20 1544.45

Open int. 2.770

Total daily turnover 496

■ COCOA LCE (5000kg metric tonnes)

Cash 5 mths

Close 1495.20 1544.45

Previous 1495.20 1544.45

High/low 1495.20 1544.45

AM Official 1495.20 1544.45

Kerb close 1495.20 1544.45

Open int. 2.770

Total daily turnover 496

■ COCOA LCE (5000kg metric tonnes)

Cash 5 mths

Close 1495.20 1544.45

Previous 1495.20 1544.45

High/low 1495.20 1544.45

MARKETS REPORT

Dollar firm

The dollar maintained its firmer tone of recent days, helped by economic data which propped up the US bond market, writes Philip Gauthier.

The market interpreted the data as showing that the US economy was slowing, with little inflationary pressures.

The US currency finished one pfennig firmer in London at DM1.5558 from DM1.5457, and at Yen3.050 from Yen3.28.

The firmer dollar helped sterling to hold onto recent gains. The pound finished slightly lower against the firmer dollar, at £1.5586 from £1.5562, but was 1/4 pfennig up against the D-Mark at DM2.4248 from DM2.4089.

The currency was buoyed up by foreign investors appearing to take a better view of UK assets, following the release of encouraging labour costs and average earnings figures earlier this week.

■ Although some of yester-

day's US data appeared to show signs of an economy running up against capacity constraints, analysts said most of the higher numbers were weather related.

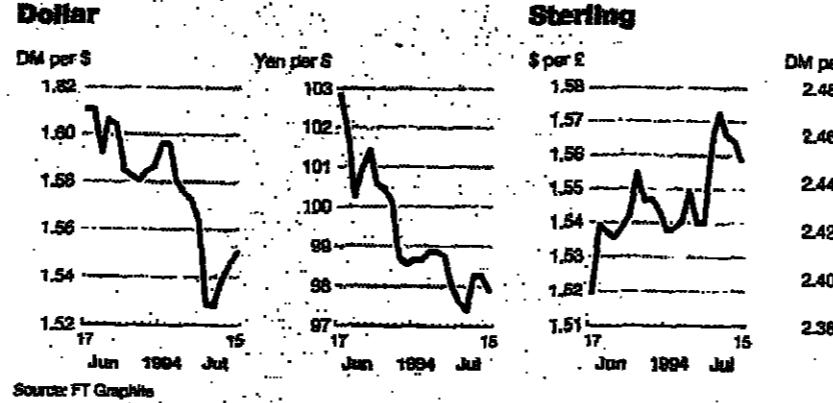
Mr Avinash Persaud, head of currency strategy at JP Morgan in Europe, said they all "added to the current view of slower growth and lower inflationary pressures."

The market focused on the University of Michigan con-

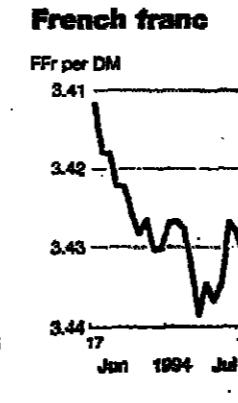
sumer sentiment index, which dropped to 88.9 in the preliminary July index from 91.2 in the final June index.

Mr Persaud said he was doubtful whether the dollar would continue its rally, since the rally in the bond market was likely to prove shortlived.

CURRENCIES AND MONEY



Source: FT Graphics



He said the sharp fall in yields on the yield on the ten year US treasury note fell to below 7.20 yesterday from 7.47 at the start of the week - was not sustainable.

The improved interest rate sentiment has been reflected in the futures market. The December eurodollar contract settled yesterday at 94.27, thirty five basis points firmer than the \$3.90 close on Monday ahead of producer and consumer inflation data releases.

Some traders are expecting a rate rise ahead of the Humphrey Hawkins testimony next week of Mr Alan Greenspan, chairman of the Federal Reserve. With inflation apparently under control, however, most observers believe the Fed will wait until its next policy meeting on August 16.

■ In Europe the main excitement was provided by the lira which slipped to an early low of Ls69.25 against the D-Mark before recovering to close at Ls68.83. The market was concerned about a political row surrounding the anti-corruption probe by magistrates.

Mr Silvio Berlusconi, the prime minister, triggered a revolt by magistrates when his government approved law curtailing their right to order the arrest of corruption suspects.

MONEY MARKET FUNDS

Money Market Trust Funds

Country & Co	Open	Low	High	Close	Change
444 Great Queen St, London WC2R 7HG	£71,750,000	£71,750,000	£71,750,000	£71,750,000	£71,750,000
14 Grosvenor Street, London W1X 9AB	£22,000,000	£22,000,000	£22,000,000	£22,000,000	£22,000,000
14 Grosvenor Street, London W1X 9AB	£22,000,000	£22,000,000	£22,000,000	£22,000,000	£22,000,000
Open	Low	High	Close	Change	Vol.
£22,000,000	£22,000,000	£22,000,000	£22,000,000	£22,000,000	1,211

Open High Rate (London) PLC Premier Acc

10 Arundel Court, London WC1R 7HG

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LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Tassman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 53(2)(c) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains done the previous day.

British Funds, etc.

Treasury 13 1/2% Gns 2000 - £102.50
Guaranteed Export Finance Corp PLC 12 1/4%
Gns Lst Strk 2002(Freq) - £121.12 (12/3/94)

Corporation and County Stocks

London County 2 1/2% Cons Strk 1920(over after) -
£22.72

Birmingham Corp 2 1/2% Strk 1920(over after) -
£22.12 (12/3/94)

Birmingham Corp 3 1/2% Strk 1947(over after) -
£22.02 (12/3/94)

Birmingham Corp 3 1/2% Strk 1948(over after) -
£22.02 (12/3/94)

Birmingham Corp 3 1/2% Strk 1949(over after) -
£22.02 (12/3/94)

National Westminster Bank PLC 11 1/4% Und-
Subd Strk 210000(Freq to Pmt) - £104.04

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FT MANAGED FUNDS SERVICE

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AUTHORISED
UNIT TRUSTS
Unit Trust Manager	Address	0800-0840	0845-0900	0900-0930	0930-1000	1000-1030	1030-1100	1100-1130	1130-1200	1200-1230	1230-1300	1300-1330	1330-1400	1400-1430	1430-1500	1500-1530	1530-1600	1600-1630	1630-1700	1700-1730	1730-1800	1800-1830	1830-1900	1900-1930	1930-2000	2000-2030	2030-2100	2100-2130	2130-2200	2200-2230	2230-2300	2300-2330	2330-2400	2400-2430	2430-2500	2500-2530	2530-2600	2600-2630	2630-2700	2700-2730	2730-2800	2800-2830	2830-2900	2900-2930	2930-3000	3000-3030	3030-3100	3100-3130	3130-3200	3200-3230	3230-3300	3300-3330	3330-3400	3400-3430	3430-3500	3500-3530	3530-3600	3600-3630	3630-3700	3700-3730	3730-3800	3800-3830	3830-3900	3900-3930	3930-4000	4000-4030	4030-4100	4100-4130	4130-4200	4200-4230	4230-4300	4300-4330	4330-4400	4400-4430	4430-4500	4500-4530	4530-4600	4600-4630	4630-4700	4700-4730	4730-4800	4800-4830	4830-4900	4900-4930	4930-5000	5000-5030	5030-5100	5100-5130	5130-5200	5200-5230	5230-5300	5300-5330	5330-5400	5400-5430	5430-5500	5500-5530	5530-5600	5600-5630	5630-5700	5700-5730	5730-5800	5800-5830	5830-5900	5900-5930	5930-6000	6000-6030	6030-6100	6100-6130	6130-6200	6200-6230	6230-6300	6300-6330	6330-6400	6400-6430	6430-6500	6500-6530	6530-6600	6600-6630	6630-6700	6700-6730	6730-6800	6800-6830	6830-6900	6900-6930	6930-7000	7000-7030	7030-7100	7100-7130	7130-7200	7200-7230	7230-7300	7300-7330	7330-7400	7400-7430	7430-7500	7500-7530	7530-7600	7600-7630	7630-7700	7700-7730	7730-7800	7800-7830	7830-7900	7900-7930	7930-8000	8000-8030	8030-8100	8100-8130	8130-8200	8200-8230	8230-8300	8300-8330	8330-8400	8400-8430	8430-8500	8500-8530	8530-8600	8600-8630	8630-8700	8700-8730	8730-8800	8800-8830	8830-8900	8900-8930	8930-9000	9000-9030	9030-9100	9100-9130	9130-9200	9200-9230	9230-9300	9300-9330	9330-9400	9400-9430	9430-9500	9500-9530	9530-9600	9600-9630	9630-9700	9700-9730	9730-9800	9800-9830	9830-9900	9900-9930	9930-10000	10000-10030	10030-10100	10100-10130	10130-10200	10200-10230	10230-10300	10300-10330	10330-10400	10400-10430	10430-10500	10500-10530	10530-10600	10600-10630	10630-10700	10700-10730	10730-10800	10800-10830	10830-10900	10900-10930	10930-11000	11000-11030	11030-11100	11100-11130	11130-11200	11200-11230	11230-11300	11300-11330	11330-11400	11400-11430	11430-11500	11500-11530	11530-11600	11600-11630	11630-11700	11700-11730	11730-11800	11800-11830	11830-11900	11900-11930	11930-12000	12000-12030	12030-12100	12100-12130	12130-12200	12200-12230	12230-12300	12300-12330	12330-12400	12400-12430	12430-12500	12500-12530	12530-12600	12600-12630	12630-12700	12700-12730	12730-12800	12800-12830	12830-12900	12900-12930	12930-13000	13000-13030	13030-13100	13100-13130	13130-13200	13200-13230	13230-13300	13300-13330	13330-13400	13400-13430	13430-13500	13500-13530	13530-13600	13600-13630	13630-13700	13700-13730	13730-13800	13800-13830	13830-13900	13900-13930	13930-14000	14000-14030	14030-14100	14100-14130	14130-14200	14200-14230	14230-14300	14300-14330	14330-14400	14400-14430	14430-14500	14500-14530	14530-14600	14600-14630	14630-14700	14700-14730	14730-14800	14800-14830	14830-14900	14900-14930	14930-15000	15000-15030	15030-15100	15100-15130	15130-15200	15200-15230	15230-15300	15300-15330	15330-15400	15400-15430	15430-15500	15500-15530	15530-15600	15600-15630	15630-15700	15700-15730	15730-15800	15800-15830	15830-15900	15900-15930	15930-16000	16000-16030	16030-16100	16100-16130	16130-16200	16200-16230	16230-16300	16300-16330	16330-16400	16400-16430	16430-16500	16500-16530	16530-16600	16600-16630	16630-16700	16700-16730	16730-16800	16800-16830	16830-16900	16900-16930	16930-17000	17000-17030	17030-17100	17100-17130	17130-17200	17200-17230	17230-17300	17300-17330	17330-17400	17400-17430	17430-17500	17500-17530	17530-17600	17600-17630	17630-17700	17700-17730	17730-17800	17800-17830	17830-17900	17900-17930	17930-18000	18000-18030	18030-18100	18100-18130	18130-18200	18200-18230	18230-18300	18300-18330	18330-18400	18400-18430	18430-18500	18500-18530	18530-18600	18600-18630	18630-18700	18700-18730	18730-18800	18800-18830	18830-18900	18900-18930	18930-19000	19000-19030	19030-19100	19100-19130	19130-19200	19200-19230	19230-19300	19300-19330	19330-19400	19400-19430	19430-19500	19500-19530	19530-19600	19600-19630	19630-19700	19700-19730	19730-19800	19800-19830	19830-19900	19900-19930	19930-20000	20000-20030	20030-20100	20100-20130	20130-20200	20200-20230	20230-20300	20300-20330	20330-20400	20400-20430	20430-20500	20500-20530	20530-20600	20600-20630	20630-20700	20700-20730	20730-20800	20800-20830	20830-20900	20900-20930	20930-21000	21000-21030	21030-21100	21100-21130	21130-21200	21200-21230	21230-21300	21300-21330	21330-21400	21400-21430	21430-21500	21500-21530	21530-21600	21600-21630	21630-21700	21700-21730	21730-21800	21800-21830	21830-21900	21900-21930	21930-22000	22000-22030	22030-22100	22100-22130	22130-22200	22200-22230	22230-22300	22300-22330	22330-22400	22400-22430	22430-22500	22500-22530	22530-22600	22600-22630	22630-22700	22700-22730	22730-22800	22800-22830	22830-22900	22900-22930	22930-23000	23000-23030	23030-23100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INSURANCES

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OFFSHORE INSURANCES

OVERSEAS

BERMUDA (SB RECOGNISED)

DELMODA (DELIVERED)

IRELAND REGISTERED

IRELAND (REGULATED)		1st Price	2nd Price
AB Fund Management Ltd			
European Master Fund (I) plc		\$10,491	
Pacific 21st Century		\$10,927	
Apollo Fund Plc			
Aviva Ann 30		\$208.24	
BT Fund Managers (Ireland) Ltd (I)			
BTIA US Dollar Unit	\$3	\$10,494	
Bank of Ireland Unit Managers Ltd			
Global Corp		\$10,917	11,293
Government Securities Fund		\$10,78	10,925
Industrial Fund		\$10,917	11,293
Latin Am Bond Yield		\$10,512	
Latin Amer Corp. Div		\$10,1695	
Quadrant Portfolio			
European Fund		\$10,50	10,789
Global Portfolio		\$10,50	10,789
Japan Portfolio		\$11,17	11,367
Established		\$10,169	11,293
Global Fund		\$10,50	10,789
Emerging Japan		\$10,50	10,789
Latin Amer Equity Portfolio		\$10,03	
Baring International Fd (Ireland) (I)			
Australia		\$20,82	20,97
Japan Tech		\$20,72	20,97
Japan Fund		\$20,77	20,921
Japan New Sector Fd		\$20,70	20,97
UK Smg		\$21,19	21,367
High Yield Fund		\$20,54	20,71
October Fund		\$20,54	21,04
Pacific Fd		\$20,50	20,71
Emerging Bond		\$20,14	20,31
Emerging Fund		\$20,21	20,31
Emerging Markets		\$20,50	20,71
Hong Kong		\$20,14	20,31
Global Emerging Mkts		\$20,12	20,49
Latin America		\$20,50	20,71
Long Term Bond		\$20,47	20,71
Long Term Bond Fd		\$20,10	20,31
Korea Fund		\$20,82	20,71
Latin America Fund		\$20,50	20,71
Baring Mutual Fund Managers (I)			
Undisbursed Fund		\$10,84	11,27
Global Fund		\$20,12	20,31
HALF Y.A. Fund		\$20,12	20,31
New European Bd		\$20,51	20,71
New Global Fund		\$20,12	20,31
Private Class Fund		\$20,12	20,31
Private Class Fund		\$20,12	20,31
Pacific Emerging Bd		\$20,52	20,71
Chemical Investors Fund Administrators			
Total Performance		\$14,47	
Technology 2000		\$9,48	
Citizens Investment Trust (Ireland) (I)			
CITC Premier Nov Jul 12		\$14,467	
Dresdner International Fund Services			
Dresdner Thomson Latin American Selections Plc			
Comprehensive		\$8,59	

0.00	St. H Head	Manufacturing Co.	
	United States Plastic Co.	50.90	10.25%
	100, Ontario Ave. E.	51.70	11.4%
	Montreal, Quebec H3C 2S5.	51.70	11.4%
	Telephone: 525-2200	51.70	11.4%

JERSEY (REGULATED)

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WORLD STOCK MARKETS

INDICES

	Jul 15	Jul 14	Jul 13	High	1994	Low	
Argentina							
General (29/12/77)	[b] 19471.00	19170.59	22470.40	15/2	17758.90	204	
Australia							
All Ordinaries (1/1/80)	3558.0	2007.7	1978.6	2340.60	3/2	1957.40	276
All Mining (1/1/80)	1013.7	591.8	580.8	1136.10	3/2	904.60	5/5
Austria							
Credit Ansten (30/1/2/94)	408.57	409.40	407.25	400.98	2/2	388.57	226
Traded Index (21/1/91)	1057.35	1055.12	1047.20	1222.25	1/2	1011.38	86
Belgium							
SEB 20 (1/1/81)	1416.04	1404.08	1393.98	1542.05	9/2	1383.95	137
Brazil							
Bovespa (29/12/83)	[b] 40165.0	38403.0	40519.80	8/7	3808.90	3/1	
Canada							
Markets Mkt (1/1/75)	[b] 3842.61	3788.65	3879.58	18/3	3528.08	204	
Composite (1/1/75)	[b] 4195.70	4140.55	4053.90	23/3	3585.82	246	
Portfolio 55 (4/1/83)	[b] 1964.34	1942.19	2182.89	1/2	1880.43	296	
Chile							
IPC Gen (31/1/80)	[b] 4388.8	4331.2	4867.80	4/2	3801.29	44	
Denmark							
Copenhagen SCS (1/1/83)	309.52	306.49	305.55	415.29	2/2	358.67	226
Finland							
HEX General (29/12/90)	1763.6	1758.9	1756.8	1972.00	4/2	1601.10	3/1
France							
SBF 250 (31/1/2/90)	[c] 1317.09	1306.20	2/2	1285.35	4/7		
CAC 40 (31/1/2/97)	[c] 1974.59	2355.93	2/2	1882.19	4/7		
Germany							
FWA Index (31/12/90)	789.63	781.43	782.70	853.27	185	757.51	276
Commerzbank (1/1/83)	2246.1	2220.8	2247.4	2465.50	2/5	2148.30	276
DAX (30/12/87)	2093.61	2055.62	2054.42	2271.11	185	1988.82	206
Greece							
Athens SCS (31/12/90)	829.10	824.70	822.19	1104.58	18/1	806.67	25/5
Hong Kong							
Hang Seng (31/7/94)	9117.00	8808.28	8828.91	12201.00	4/1	8388.44	45
India							
BSE Sense (1/1/79)	4121.4	4083.8	4131.5	4382.80	20/8	3654.00	5/1
Indonesia							
Jakarta Composite (10/6/82)	461.83	460.29	453.21	612.98	5/1	440.72	127
Ireland							
ISEO Overall (4/1/89)	1793.54	1778.49	1765.88	2082.18	20/1	1684.14	1/7
Italy							
Banca Comer Ital (1972)	711.12	701.21	687.35	817.17	105	585.95	10/1
MIB General (4/1/90)	1148.0	1132.0	1108.0	1318.00	105	944.88	10/1
Japan							
Nikkei 225 (16/5/49)	20770.15	20718.04	20540.41	21552.81	136	17368.74	4/1
Nikkei 500 (1/10/82)	303.03	302.47	300.81	311.71	136	268.22	4/1
Topix (4/1/88)	1080.47	1084.52	1054.53	1712.23	136	1465.97	4/1
2nd Section (4/1/80)	2512.03	2505.82	2494.04	2642.86	8/7	1873.33	4/1
Malaysia							
KLSE Composite (4/4/89)	101211	1010.80	988.57	13144.65	5/1	928.33	4/4

US INDICES

Dow Jones	Jul 14	Jul 13	Jul 12	1994 High	1994 Low	Since completion	
Standard & Poor's	500 stocks	500 stocks	500 stocks	High	Low	High	Low
Utilities	379.25	370.28	370.88	397.38	353.35	387.28	41.22
Home Goods	87.05	86.75	86.60	101.61	85.43	100.77	84.68
Transport	1597.18	1582.96	1582.77	1622.29	1540.02	1622.28	12.32
Utilities	182.51	179.87	179.87	227.85	176.71	234.48	10.50
DJ Ind., Day's high	3703.53	(3739.27)	Low	3887.48	(3683.89)	(Theoretical)	
Day's high	3748.98	(3722.08)	Low	3703.51	(3690.51)	(Actual)	
Standard and Poor's	Composite	Composite	Composite	High	Low	High	Low
Composite:	453.41	448.73	447.95	482.88	438.92	482.00	4.40
Industrial	528.01	523.23	522.27	580.59	510.65	580.65	5.82
Financial	45.06	44.38	44.25	49.94	41.38	49.46	3.84
NYSE Comp.	250.58	247.85	247.47	269.21	243.14	262.71	4.46
Small Mid Val	430.04	427.73	425.50	467.89	422.87	467.89	20.31
NASDAQ Comp	721.68	718.35	708.58	803.93	633.79	803.93	64.07
I RATIOS							
Dow Jones Ind. Div. Yield		Jul 8	Jul 1	Jun 24	Year ago		
		2.74	2.78	2.76	2.58		
		Jul 13	Jul 8	Jun 29	Year ago		
S & P Ind. Div. yield		2.47	2.48	2.48	2.58		
S & P Ind. P/E ratio		22.93	22.72	23.10	24.89		
II STANDARD AND POOR'S 500 INDEX FUTURES \$500 times Index							
Open	Latest	Change	High	Low	Est. vol.	Open int.	
Sept	454.10	454.20	+0.30	455.00	453.55	85,381	208,147
Dec	456.50	456.80	+0.75	457.40	456.20	708	11,700
Mar	459.90	460.40	+0.20	460.70	459.80	170	2,268
Open interest figures are for previous day.							
III NEW YORK ACTIVE STOCKS				IV TRADING ACTIVITY			
Monday	Stocks traded	Close price	Change on day	● Volume (million)	Jul 14	Jul 13	Jul 12
General	10,437,100	31	+16	New York SE	316,045	265,829	241,960
Work Steel	5,489,400	2494	+3%	Amex	18,365	14,186	13,321
Auto Motor	5,343,600	311	-5%	NASDAQ	341,401	313,155	223,925
Automobiles	4,883,000	304	+1%	NYSE			
Computer	3,559,600	355	-1%	Issues Traded	2,826	2,836	2,831
Tractor	3,553,000	494	-5%	Issues	1,256	1,164	1,084
Auto-Mart	3,496,500	256	+1%	Falls	551	508	1,014
Coors-Cola	3,218,800	42%	+1%	Unchanged	618	763	753
AT&T	3,002,700	58%	+1%	New Highs	48	42	23
IBM	2,782,000	15%	-6%	New Lows	49	51	67

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WORLD STOCK MARKETS

AMERICA

Equities flat on mixed economic data

Wall Street

US share prices ended the week mostly flat, in spite of fresh gains in the bond market, where long-term interest rates came close to inching below 7.5 per cent, writes Patrick Harverson in New York.

By 1pm, the Dow Jones Industrial Average was up 0.37 at 3,740.22, having spent the entire morning session no more than a few points either side of opening values. The more broadly based Standard & Poor's 500, which moved in similar fashion, was down 0.15 at 452.26, while the American Stock Exchange composite was up 0.22 at 450.98, and the Nasdaq composite 1.27 lower at

720.23. Trading volume on the NYSE was 1,53m shares by 1pm.

The market opened in a subdued mood, although the fact that computer problems delayed the start of trading on the Nasdaq market for almost two-and-a-half hours had as much to do with the downbeat start to trading as anything.

Sentiment, however, was affected by early declines in the bond market and a modest drop in the value of the dollar against the yen and the D-Mark.

The day's economic news was mixed, with a 0.5 per cent gain in June industrial production warmly received; but a jump in the June capacity utilisation rate from 83.5 per cent

to 83.9 per cent - the highest level since June 1989 - deepened concern about inflation.

A mid-morning rally in bonds, which temporarily pushed the yield on the 30-year issue down below 7.5 per cent, failed to stimulate much interest in stocks, which languished close to overnight levels.

Among individual stocks, IBM fell \$1 to \$77 as investors began to worry about the company's second-quarter earnings, which are expected next Thursday. Analysts are looking for a profit of about \$44m or 72 cents a share.

Other big technology stocks were also weaker, with Hewlett-Packard down \$5 at \$75.78, Compaq off \$2 at \$35.65, and Unisys \$2 lower at \$87.

Hardest hit was Texas Instruments, which tumbled \$5 to \$81 after a big increase in second-quarter net income to \$158m failed to satisfy investors. The decline in the stock hit other semiconductor issues, with Motorola down \$1 at \$43.50, National Semiconductor off \$7 at \$17.75 and Dallas Semiconductor down \$2 at \$18.50.

Canada

Toronto stocks were easier in quiet midday trading as investors erased early gains and took profit after Thursday's rally. Losses in financial services, conglomerates and transportation offset gains in communications and golds.

EUROPE

Zurich falls prey to fresh weakness in Roche

Bourses had a mixed day. The recovery in the dollar, in US treasuries and in European bonds helped in some countries, particularly Germany, where the expiry of DTB options contracts exaggerated the resilience of equities.

However, there was continued equity weakness in Switzerland, where bonds were a strong market, and Madrid ran out of steam although Spanish bonds had been the strongest market of the week, writes Our Markets Staff.

ZURICH was lifted by the expiry of July futures contracts early in the day but, subsequently, Roche reassessed its negative influence. The SMI index finished 13.4 lower at 2,514.9, after a high of 2,556.3, and 1.8 per cent lower on the week.

In its latest market outlook, CS Investment Research said that the downside potential for the market was limited and that a turnaround was likely in the next two to four weeks.

Roche certificates, under pressure earlier in the week after disappointing half-year sales figures, gave up SF70 to SF75, with foreign investors said to be taking profits after Thursday's improvement. According to one analyst, it appeared that index-linked funds were selling in order to switch holdings out of Switzerland.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES									
Jul 15	Open	10.20	11.00	12.00	13.00	14.00	15.00	Close	
FT-SE Banktrack 100	1342.41	1344.14	1345.00	1348.11	1348.77	1349.48	1347.73	1349.02	
FT-SE Banktrack 200	1388.21	1391.77	1392.25	1392.82	1393.02	1393.28	1393.05		
FT-SE Banktrack 500	1377.25	1378.04	1378.13	1378.75	1379.00	1379.04	1378.75		
New 1000 (1992-1993)	1351.02	1352.20	1352.11	1352.11	1352.11	1352.11	1352.11		

Land, Ciba, dropped SF75 to SF72 and Sandoz gave up SF6 to SF7.

Banks, which produce half-year statements next month, ended mixed. UBS lost SF76 to SF74 and CS Holding rose

1.4% to 13.4% lower on the week.

FRANKFURT consolidated Thursday's gains on the surge in bond futures, climbed about another percentage point on the session and then broke through the 2,100 mark in the afternoon, the Ibovespa index ending the day 1.6 per cent higher over 24 hours to 2,103.54.

In official trading hours, it was up 2.1 per cent on the week at 2,093.61, turnover climbing from DM6.4bn to DM8.1bn, but market professionals said that both the scale of rises and business activity were inflated by the DTB closures.

It was noticeable, they said, that most of the big moves came in shares with a heavy

weighting in the Dax. Allianz rose DM4 to DM4.97 on the session, and another DM19 to DM2.50 after hours. The top three shares by moves in Dax trading were Daimler, Deutsche Bank and Siemens.

Outside the Dax, index the ladies' clothing company, Escada, put on DM31 or 9.6 per cent to DM33 on positive first-half figures, and the forecast that this year's results will exceed expectations.

MILAN was unable to maintain early momentum on the last day of the monthly account as the clash between the government and magistrates over moves to limit powers of arrest in corruption cases raised the political temperature.

The Comit index finished 9.91 higher at 711.12, a 3.5 per cent rise on the week. However, the real-time Mibit index reflected the day's pull-back, ending 16 higher at 11,294, after an early high of 11,247.

It was noticeable, they said, that most of the big moves came in shares with a heavy

Independent Strategy, which has reduced its exposure to Italian equities from a neutral 2.8 per cent to 1.8 per cent in its model portfolio, commented that the government measures announced on Wednesday were unlikely to be sufficient to achieve their budgetary target, and that the deficit could rise to 11-12 per cent of GDP next year. The London-based group thought that the government's failure to institute credible measures to reduce the deficit in 1994 and 1995 would weigh heavily on financial market sentiment.

Mr Richard Davidson at Morgan Stanley also reiterated an underweight recommendation on Italy, commenting that the Berlusconi factor was no longer a positive and Italian politics looked as fragmented as ever. The market's valuation was high at 21.6 times 1995 prospective earnings and there was still a significant equity supply overhang at a time when even domestic fund flows were slowing, he said.

Telecommunications stocks remained in demand. Stet rose 1.6% to Ls6,607 and Sip adding Ls1 to Ls446.

Some insurers also continued their strong showing. Ima added Ls28 to Ls4,200 while Ras was up Ls50 to Ls6,200. General was an exception, giving up Ls30 to Ls4,850.

The TSE 300 composite index was down 6.00 at 4,188.70 in volume of 51.00m shares valued at C\$411m. Advancing stocks led declines by 311 to 218, with 222 unchanged.

Brazil

Shares in São Paulo were up 2.7 per cent in heavy mid-morning trade after another opinion poll showed that Mr Fernando Henrique Cardoso was continuing to make gains in the presidential race.

The Bovespa index of the 56 most-active shares was up 1,061 at 41,245 by 14.25 GMT.

Falling domestic interest rates also provided support as banks cut the yields paid on 30-day certificates of deposit.

Yen in the past few weeks,

Dow remains resilient in face of weak dollar

Patrick Harverson on the currency shock waves

Every week, stock market strategists at US securities houses and banks

send out reports to clients and journalists outlining their views on the current state of the financial markets and the economy, and the outlook for both. Every possible factor that might have an impact on stock prices, bond prices, and the economic environment is picked up, studied and commented upon. You name it, they analyse it.

Yet, in the past few weeks,

the one factor that has grabbed most of the headlines, and dominated much of the talk among investors, politicians and policy-makers - the rapid decline in the value of the dollar - gets relatively short shrift in the majority of reports. The dollar does receive a mention every now and then, but you would think from reading the material that Wall Street's top equity strategists do not care greatly what happens to the greenback.

In a way, you would be right. Unlike the UK, where the pound is not only a key influence on the shape and direction of the economy but also a symbol of national virility, in the US the national currency plays a significantly less important role in economic life.

However, it has been clear in the last few months that the dollar's decline has been disturbing the financial markets, especially bonds. Since the end of March, when the dollar was holding relatively steady at around Y106 and DM1.68, it has fallen 7.6 per cent against the yen (to a new post-1945 low) and 9 per cent against the D-Mark.

MADRID was rescued by Telefónica which rose Pt50 to Pt1,870 in 5.7bn shares. Turnover was inflated by the closure of futures contracts but the general index rose only 0.13 to 302.79, up 3.1 per cent on the week.

Heineken, strong in recent sessions, slipped 50 cents to Pt1,21.50. Hoare Govett rated the stock a buy yesterday and forecast 1994 eps of Pt1,450 per share and Pt1,200 for 1995.

MADEIRA was rescued by a telephone company, which rose Pt50 to 5.7bn shares. Turnover was inflated by the closure of futures contracts but the general index rose only 0.13 to 302.79, up 3.1 per cent on the week.

Written and edited by William Cockayne, John Pitt and Michael Morgan

fed through into higher inflation and eventually forced the Federal Reserve to raise interest rates to curb inflation and support the US currency, and that the falling dollar will make US financial assets (that is, bonds) less attractive to foreign investors.

Stocks do suffer because the price of bonds ultimately determines the interest rates at which US companies and consumers borrow money, but they suffer less than bonds because other factors, most notably corporate profitability, play a bigger role in determining the value of stocks. Thus, it is no surprise to discover that since late March, when the dollar began to decline

Dow Jones

Industrial Av.

Dollar

Yen per S

115

110

105

100

95

90

85

80

75

70

65

60

55

50

45

40

35

30

25

20

15

10

5

0

Source: Datstream

those revenues they get more dollars for every yen and D-Mark spent on their products.

As for the bad points, a weak dollar makes foreign products more expensive in the US; this adds to inflation directly, and indirectly, because the rising cost of foreign-made goods gives competing US producers the cover to raise their own prices.

Also, a falling dollar is bad news because it deters foreign investors from wanting to own US-dollar-denominated stocks and bonds, something which has contributed to the recent drop in share prices and the rise in long-term interest rates as measured by bond yields. Finally, a weaker dollar is often an indication that foreign investors do not like or trust US economic policy, which should always be a worry for the stock market.

This is the point that Mr John Lipsky, chief economist at Salomon Brothers in New York, believes is the key to understanding the impact of a devalued dollar on stocks. He says: "The most important implication of the dollar's weakness for the stock market is the implied lack of international investor confidence in US policies, the US economy and US financial markets. Hence, the juxtaposition of a weakening dollar, weakening bond market and weakening stock market have together formed the basis for concern."

First, the good points. A weak dollar makes US products cheaper abroad, boosting exports. It also attracts more visitors to the US, who spend their money on US products and services. Higher exports and more tourism dollars in turn help to reduce the massive US trade deficit. A lower dollar is also good for the earnings of US companies with big overseas sales in Japan and Germany, because when they repatriate

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INVESTMENT TRUSTS - Con

FIGURE 2. *Wetland 2* (continued)

THE JOURNAL OF CLIMATE

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LEISURE & HOTELS - Cont. OIL, INTEGRATED PROPERTY - Cont. SPIRITS, WINES & CIDERS TRANSPORT - Cont.

FT-SE ASSETSES STORE INDICES									
The following investment trusts are not eligible for inclusion in the FT-SE Assets Stores Index.									
In the table below, the following symbols are used:									
* = denotes a company controlled by NatWest Securities Limited									
A = a guide only. See guide to London Share Services									
INVESTMENT COMPANIES									
Notes	Price	Yield	High	Low	Yield	High	Low	Yield	High
Anglo-Cyprus	1892	1.0	1894	1889	1.0	1894	1889	1.0	1894
Anglo German	1892	1.0	1894	1889	1.0	1894	1889	1.0	1894
Govt Am Smr	224	1.0	224	214	1.0	224	214	1.0	224
Warrents	224	1.0	224	214	1.0	224	214	1.0	224
Am Ameri S. A.	127	1.0	127	117	1.0	127	117	1.0	127
Warrents	127	1.0	127	117	1.0	127	117	1.0	127
Am Ameri S. A.	127	1.0	127	117	1.0	127	117	1.0	127
Warrents	127	1.0	127	117	1.0	127	117	1.0	127
Am Ameri S. A.	127	1.0	127	117	1.0	127	117	1.0	127
Warrents	127	1.0	127	117	1.0	127	117	1.0	127
Am Ameri S. A.	127	1.0	127	117	1.0	127	117	1.0	127
Warrents	127	1.0	127	117	1.0	127	117	1.0	127
Am Ameri S. A.	127	1.0	127	117	1.0	127	117	1.0	127
Warrents	127	1.0	127	117	1.0	127	117	1.0	127
Am Ameri S. A.	127	1.0	127	117	1.0	127	117	1.0	127
Warrents	127	1.0	127	117	1.0	127	117	1.0	127
Am Ameri S. A.	127	1.0	127	117	1.0	127	117	1.0	127
Warrents	127	1.0	127	117	1.0	127	117	1.0	127
Am Ameri S. A.	127	1.0	127	117	1.0	127	117	1.0	127
Warrents	127	1.0	127	117	1.0	127	117	1.0	127
Am Ameri S. A.	127	1.0	127	117	1.0	127	117	1.0	127
Warrents	127	1.0	127	117	1.0	127	117	1.0	127
Am Ameri S. A.	127	1.0	127	117	1.0	127	117	1.0	127
Warrents	127	1.0	127	117	1.0	127	117	1.0	127
Am Ameri S. A.	127	1.0	127	117	1.0	127	117	1.0	127
Warrents	127	1.0	127	117	1.0	127	117	1.0	127
Am Ameri S. A.	127	1.0	127	117	1.0	127	117	1.0	127
Warrents	127	1.0	127	117	1.0	127	117	1.0	127
Am Ameri S. A.	127	1.0	127	117	1.0	127	117	1.0	127
Warrents	127	1.0	127	117	1.0	127	117	1.0	127
Am Ameri S. A.	127	1.0	127	117	1.0	127	117	1.0	127
Warrents	127	1.0	127	117	1.0	127	117	1.0	127
Am Ameri S. A.	127	1.0	127	117	1.0	127	117	1.0	127
Warrents	127	1.0	127	117	1.0	127	117	1.0	127
Am Ameri S. A.	127	1.0	127	117	1.0	127	117	1.0	127
Warrents	127	1.0	127	117	1.0	127	117	1.0	127
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Am Ameri S. A.	127	1.0	127	117	1.0	127	117	1.0	127
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Warrents	127	1.0							



FINANCIAL TIMES

Weekend July 16/July 17 1994

A FINANCIAL TIME
for change



Society hopes scheme will avoid court move

C&G confident of plan to allow Lloyds merger

By Alison Smith

Cheltenham & Gloucester Building Society said yesterday it was confident of devising a scheme that would enable the agreed takeover bid by Lloyds Bank to proceed without having to appeal against last month's High Court judgment.

While C&G believes the deal, heralded as overcoming the obstacles for banks in taking over building societies, can go ahead, it also signalled that there could be a delay in the timetable.

A restructured plan for distributing the £1.8bn offered by Lloyds and a new timetable for getting the agreement of C&G's 1.5m members, are now expected to be announced in mid-August.

Yesterday's statement, which came a few days before the deadline for deciding whether to seek an expedited appeal, is a sign that C&G already has an outline revision of the original scheme.

C&G's task is to devise a lawful scheme giving the greatest possible overlap between members who can vote and members who are eligible for cash payments. The smaller number of those qualifying for payments means that the payments themselves should be higher than originally intended.

Lloyds Bank shares rose yesterday after C&G's statement to close 21p up at 557p, as the bank's strategy of expanding its share of the retail financial services market appeared to be back on track. If approved, the bid would create the fourth largest mortgage lender in the UK, supplying 7 per cent of the home mortgage market.

The new scheme will have to take account of the decision by Sir Donald Nicholls, the vice-chancellor, that cash payments could not be made to investors of less than two years' standing, or to borrowers from the society. This confirmed the 1986 Building Societies Act which intended

to stop "speculative flows" between societies, by creating a class of members who could vote on such an offer without being eligible for any immediate cash benefit if it proceeded.

The very high voting thresholds required under building society legislation for members to give their approval for such a deal means that these votes could be critical to acceptance of the proposal.

Mr Andrew Longhurst, C&G chief executive, and Sir Brian Pitman, Lloyds Bank chief executive, both expressed confidence in the continuing long-term rationale for the deal.

The original schedule envisaged the deal being concluded in the second quarter of next year - after a Lloyd's Bank extraordinary general meeting in mid-November and a special general meeting of C&G members later the same month.

Background, Page 7
Lex, Page 24

Blair ends campaign on pledge to reform constitution

By Kevin Brown,
Political Correspondent

Mr Tony Blair, the runaway favourite to succeed the late John Smith as Labour leader, committed the party yesterday to a sweeping constitutional shake-up, including parliamentary reform, devolution and human rights legislation.

In the last of six speeches aimed at the 4.5m voters in the leadership election, Mr Blair promised to deliver "a new constitutional settlement" in the first term a Labour government.

He also sought to exploit continuing concerns about the proactivity of the Conservative government by pledging that he would insist on "the highest standards" of honesty and integrity from ministers and party officials.

Mr Blair's comments reflect confidence among his advisers that he will win by a substantial margin when the results are announced at a special conference in London on Thursday.

Friends say that Mr Blair has already begun to think about changes to the opposition front bench team, although he has decided to delay a shake-up until the autumn.

Mr John Prescott, the shadow employment secretary, is increasingly confident of victory in the race for the deputy leadership, which is also being contested by Mrs Margaret Beckett.

Mrs Beckett, who was Mr Smith's deputy from 1989 until his death in May, told the Financial Times in an interview that it was "perfectly possible" that she might fail to win either of the leadership posts.

"I am used to going into elections that I might not win, and having to make my case and abide by the judgment of the electorate," she said.

Employer organisations are concerned at the cost of the rail conflict for business. The Institute of Directors warned yesterday it could seriously damage the economic recovery and hit Britain's reputation as a reliable place to do business.

Mr Blair put his full weight behind the 10-day settlement period.

He also sought to raise public concern about the impact of quangos (quasi-autonomous non-governmental organisations) by linking constitutional issues directly to economic prosperity.

"People can vast amounts of their money is being swallowed up by quangos, to be spent on projects they know nothing about, by Tories they have never voted for," he said.

Mr Blair put his full weight behind a long list of constitutional changes, including devolution for Scotland, Wales and the English regions; greater powers for local government; abolition of the rights of hereditary peers to sit in parliament; incorporation into domestic law of the European Convention on Human Rights; and a Freedom of Information Act.

Interviews, Page 6

Railtrack plans appeal to staff as union steps up strike action

By Robert Taylor,
Labour Correspondent

Railtrack plans to make a further direct appeal to its 4,600 striking signalling staff in an attempt to prevent the stepping up of the dispute after next week.

The company will write to staff with more details of its latest productivity pay offer in the next few days.

Railtrack managers said signalling staff are confused by their union executive's decision to move to a 48-hour strike from noon on Tuesday, July 26. The sixth 24-hour Wednesday stoppage is planned for July 20.

Railtrack said it had heard from about a quarter of the strikers on a special telephone "hotline" over the past fortnight through its "hearts and minds" campaign. While the company

acknowledges that the staff remain loyal to their union's leadership, the calls were helping management clarify and improve its pay offer.

An official said that Railtrack had not yet reached the point when it might consider imposing new contracts of employment on the signalling grades which would change working practices.

The company has ruled out the option of dismissing the signalling staff and replacing them with a newly trained workforce. Railtrack believes that would close down the network for at least three months and deal a mortal blow to the company's future.

Railtrack continues to hope staff will put pressure on the RMT leadership to restart peace talks. The staff have already lost £300 in pay through the strikes.

They are set to lose as much as £80 a week, more than 80 per cent of their earnings, if they move to 48-hour stoppages.

Mr Jimmy Knapp, the RMT's general secretary, said yesterday there were still 10 days left to reach a settlement with Railtrack before the first consecutive three days disruption takes place.

He continued to insist that Railtrack must agree to an interim payment for past efficiency achievements before going on to negotiate a restructuring package worth between 13 and 26 per cent on basic rates.

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Dollar boost

Continued from Page 1

Analysts were sceptical yesterday, though, about whether the US currency was experiencing anything more than a temporary correction. Investor sentiment towards the currency remains bearish.

Mr Avinash Persaud, head of currency strategy at JP Morgan, said the US Federal Reserve was slow to respond to inflationary pressures. He said he doubted whether the sharp rally in US bond prices, which supported the dollar, could run much further.

Italian corruption suspects

Continued from Page 1

Biondi, the justice minister, "Everything can be modified, as long as the basis of the decree is not overturned."

The prime minister said the decree had his full backing and that of the whole cabinet.

In a reference to the Milan team, Mr Berlusconi said certain magistrates "had become stars, and are disappointed if their faces don't appear on television frequently. What better way to become the centre of attention than to adopt this or that measure reducing people's liberty

and putting them in prison?"

Mr Antonio Di Pietro has led the two-year crusade against widespread corruption in Italian business and politics which brought down the previous regime and prepared the way for Mr Berlusconi to win office in the March general election.

While Mr Di Pietro's prosecution of suspects in the first of the so-called "Tangentopoli" ("Bribesville") trials has been followed by the public on television, questions have been raised about the magistrates' use of the media and the threat of detention to shame suspects into confession.

Interviews, Page 6



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteor Consult of the Netherlands

	Maximum	Beijing	Tak	31	Canarias	Cloudy	28	Faro	Fair	26	Madrid	Thund	36	Rangoon	Min	30	
Abu Dhabi	sun	39	Belgrade	sun	30	Cassablanca	fair	21	Frankfurt	sun	31	Malaga	sun	34	Reykjavik	rain	13
Accra	shower	28	Berlin	fair	27	Chicago	fair	29	Geneva	sun	31	Malta	sun	32	Re	fair	20
Algiers	sun	36	Bermuda	showers	28	Cologne	fair	22	Gibraltar	fair	29	Manchester	fair	20	Rome	sun	22
Amsterdam	sun	26	Bogota	fair	18	Hamburg	fair	28	Helsinki	fair	22	Milan	thund	31	Saint Petersburg	fair	22
Atlanta	thund	33	Brussels	fair	27	Dubai	sun	40	Hong Kong	thund	24	Melbourne	shower	24	Sydney	fair	22
B. Aires	fair	14	Budapest	fair	31	Dubai	sun	40	Honolulu	fair	31	Milan	shower	32	Tokyo	fair	16
B. ham	fair	22	C. hagan	fair	22	Dublin	fair	18	Istanbul	fair	26	Montreal	shower	27	Stockholm	sun	16
Bangkok	shower	32	Cairo	sun	34	Dubrovnik	sun	30	Karachi	fair	32	Moscow	fair	28	Toronto	sun	29
Barcelona	sun	30	Cape Town	sun	17	Edinburgh	cloudy	19	Kuwait	sun	45	Nairobi	fair	23	Vancouver	sun	22

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THE LEX COLUMN

Rebounding with bonds

FT-SE Index: 3074.8 (+24.4)

FT-SE 100 Index



Source: FT Graphics

would simply be to wait until all members qualified to vote by having their accounts open for two years. But the talk of concluding a deal by mid-August suggests that C&G may have devised a more elegant solution.

The details of the deal will make little difference to Lloyds. It has put £1.8bn on the table and is only likely to change the form, not the substance, of its offer. It would perhaps be better to defer payments as long as possible rather than paying the full amount up-front. But either way, the differences are marginal. Other banks with designs on building societies will be keen to learn C&G's secret formula. But whether it makes sense for them to follow suit is debatable. The remaining targets seem less attractive than C&G. The take-out prices are likely to be steeper.

BT

BT may retreat into its bunker following a survey showing that several of its largest shareholders have a poor opinion of its top management. The company may seek to comfort itself with the notion that the survey, conducted by its stockbroker Cazenove, was clumsily handled and so not a true reflection of opinion. Alternatively, it could lambast some shareholders' comments for being flippant or criticise those interviewed who did not know the names of top managers as ignorant.

But such a reaction to the survey, which was conducted over the past fortnight, would be a mistake. BT has long suffered from a fortress mentality, in part because it is still making the long journey from state-owned monopoly to private-sector corporation. Indeed, one point made by some shareholders is that BT is aloof. The right reaction would be to lower its drawbridge and make a determined effort to address investors' concerns.

Although the survey's results have not been published, those who took part have spoken about their views. One message is that some are confused over who is running the company. Sir Ian Vallance is both chairman and chief executive, but Mr Michael Hether, group managing director, is seen by some investors as effectively the chief executive. BT is such a huge organisation that it will never be possible to say that a single person runs it. But its vastness is also a reason for allocating responsibilities as clearly as possible. If investors are confused, BT must enlighten them.

Share settlement

Neither big investment institutions nor private shareholders have much to fear from the UK stock market's move to 10-day rolling settlement on Monday. The fortnightly account system which ended yesterday often demanded that bargains were settled in less than 10 days. And while investors accustomed to using the whole account as a period of credit will be inconvenienced, that does not seem an unbearable price. The transition should be smooth so long as brokers and shareholders of all sizes have their administration up to scratch.

Mr Blair said in Cardiff that government under both parties had become centralised, bureaucratic and indifferent to the fundamental rights of citizens.

He also sought to raise public concern about the impact of quangos (quasi-autonomous non-governmental organisations) by linking constitutional issues directly to economic prosperity.

"People can vast amounts of their money is being swallowed up by quangos, to be spent on projects they know nothing about, by Tories they have never voted for," he said.

Mr Blair put his full weight behind a long list of constitutional changes, including devolution for Scotland, Wales and the English regions; greater powers for local government; abolition of the rights of hereditary peers to sit in parliament; incorporation into domestic law of the European Convention on Human Rights; and a Freedom of Information Act.

Interviews, Page 6

Lloyds/C&G

Any disappointment the market felt about the High Court judgment blocking Lloyds' bid for Cheltenham & Gloucester has proved short-lived. C&G's confident assertion that it could find an alternative means of consummating its takeover cheered investors yesterday. But the 4 per cent rise in Lloyds' shares seemed a touch excessive given the market had long assumed the deal would succeed.

HSBC's strong showing and a general bounce in the banking sector may have been the more influential cause of Lloyds' buoyancy.

As yet, there is little clue how

Weekend FT

SECTION II

Weekend July 16/July 17 1994

Confessions of a temporary sports writer

Jurek Martin, US Editor, has spent a month covering the World Cup. The task, he admits, has had a 'curiously restorative effect'

Unless encased in a time capsule, you know that the World Cup of soccer stages its final tomorrow in the Rose Bowl in Pasadena, near Los Angeles. You will also know who it is between (Italy and Brazil), how they got there and who their star players are.

You will also have got the impression that the whole tournament, held for the first time in the US, has been quite a hit, on the field and off it. All this you will know, even if you do not care too much, because the World Cup has been inescapable for a month. As much as half the population of the world may watch the final on television, which is more than can be said for any other event, political, military or cultural, though the Apocalypse might get good ratings if properly previewed.

What you cannot know, because it has never before been revealed other than to a select few, is its impact on one person. If all politics is local, all sports is personal, so here is a confession. I like sports. I watch quite a lot of them and play quite a few of them, with degrees of competence ranging from the sub-par (sadly not in the golfing sense) to the sub-human. But I know an *oshibashi* when I see one; I recognise when the in-field fly rule applies; and I have a well-thumbed collection of the very best sports writing from Lardner through Angel to Boswell.

But soccer has never been kind to me, at least not since I was 10 and the second highest goalscorer on the RGS Worcester prep school team (whatever happened to Barry Dinsdale?). It has given me a broken

nose and a metal pin which even now runs through the medial epicondyle of my left elbow, an impediment to the promising career of a slow bowler. For this and other metaphysical reasons I have not kicked a ball in anger or design for 30 years.

Soccer had also begun to bore. The English game seemed brutal and the international game, as in the last World Cup, tactically sterile. The English stadiums were Victorian, the crowds ugly and the edge of partisanship, local and national, unpleasant.

I found I did not care who won the FA Cup, the League Cup or the Nissan Chocolate Coloured Peanut Cup. I once saw Gazzetta in the flesh – he was played off the Highbury field in London in an under-21 international by someone called Cantona but compensated by head-butting another Frenchman – and could not understand what all the fuss was about.

So my heart did not initially soar like a hawk when it was suggested by the power-that-be that because I was known to have sporting interests, and because the World Cup was coming my way, I might like to take it on. It did not exactly sink like a lead waistcoat, either, because a break from trade wars and "gates" beyond number had its charms, but the mental jury was still out.

For a start, if you are going to cover anything, from goldfish racing to the White House, homework is necessary, which is not easy to do in a country where soccer has not necessarily outdrawn goldfish racing since Pelé retired. Of course, the game is played extensively, but not



Romário, star of Brazil and of the World Cup, celebrates his game-winning goal in the semi-final against Sweden in Pasadena. Brazil play Italy in tomorrow's final

in places easily accessible without a guide to suburban schools and public parks and not at an instructive level, unless "swarm soccer" (the term needs no explanation) by six-year-olds is the wave of the future.

Most countries are very insular about their sporting passions, none more so than the US, though Sports Illustrated, the bible, did devote a page and a picture to Brian Lara a few weeks back. Baseball has a "World Series", but only teams from North America are eligible and only two years ago did a Canadian side actually win it (directly leading to the obliteration of the conservative government in Ottawa).

There is no serious international competition for the US in American football and none in basketball, either. When the US hoops team lost to the Soviet Union in the 1972

Olympics, a hot war nearly ensued, only resolved in the Gorbachev era when the best US professionals were allowed to win gold medals by beating up teams from Senegal or possibly the Ivory Coast.

So, as seen from the western side of the Atlantic in the months preceding the Cup, the earnestness of the US organisational build-up was not much help. Apart from Diego Maradona, Lothar Matthäus and Roberto Baggio – all dutifully profiled – the players seemed indistinguishable, with the exception of the US team, which was profiled to death.

In spite of this, the US did OK,

making the second round and only losing by a goal to Brazil. But any sane person's appetite for profiles over the last month has been sated by those that accompanied the murder charges against O.J. Simpson, the former gridiron great, all of

which tended to prove that the qualities that make a fine football player do not necessarily relate, whatever the image-makers may try on, to real life. So what if Baggio is a Buddhist?

There were, of course, engaging diversions. But the technical challenges of growing five grass in the enclosed Superdome in Pontiac, Michigan, can only have seriously fascinated ardent horticulturalists.

Equally, there was an instant surge in the demand for computer and graphic designers able to depict how to trap, head and pass a ball, but that I knew already from dim memory.

Occasional controversy bubbled out of the organisation. Journalists were asked to put down a \$500 deposit for accreditation, which seemed un-American. Worse, we were asked to agree to security checks into our backgrounds, which

seemed illegal. This requirement was only withdrawn in the face of the sort of US media opposition that could have resulted in no domestic coverage at all.

Then, although the dreaded British fans were not coming, fear of Norwegians rendered crazy by reindeer meat past its sell-by date and of Koreans high on *kimchee* prompted the announcement that security fences would be placed around the perimeter of several venues, including RFK Stadium in Washington. Local opinion was outraged. Why not heads on stakes or a most filled with piranhas, wrote a Tony Kornheiser, the Washington Post's very funny columnist.

Meanwhile, in the real world of the baseball diamond, Ripken was closing in on Gehrig's record for durability. Griffey was on a home-run pace to beat Maris, and there were rumours, finally confirmed,

that the great Valenzuela would again be lured out of his Mexican fastness. No, life did not look promising for me, the World Cup or the power-that-be.

Then it started. It began just a month ago in Soldier Field, Chicago, with Germany playing Bolivia, an unpromising match-up if ever there was one, but it was not half bad. Then it escalated – two, three, four games a day, a cornucopia. Games could be caught in the flesh, on the box, in English and Spanish (much better in Spanish, no language lessons necessary – the average length of commentator Andreas Cantor's shout of "Goal!!!!!!" was computed at 6.7 seconds).

There was drama, there was bathos, high play and low play, upsets and routs, Maradona and the

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Long View/Barry Riley

Jumping Jupiter!



For the week of the end of the world, Freddie seemed surprisingly cheerful. "My coffee futures positions are up 200 per cent this year," he boasted. "Never thought I would enjoy a bracing hard frost quite so much!" I should have known better than to accept an invitation to the annual Candlestick Charts Convention.

Scarcely had I emerged blinking from the session on combining candlesticks with stochastic oscillators than inevitably (it seemed) Fringe Freddie was there with the rasping voice, the gleam in the eyes and the overwhelming enthusiasm for the latest esoteric investment pursuit. I was trapped, if only I had a mobile phone that might conveniently ring...

"Stop writing all that rubbish about paper securities. Fill your boots with commodities, dear boy," he thundered. "Bonds are fraudulent, equities are bonds."

"Mind you, when the fragments of Jupiter hit us we may be dead too, like the dinosaurs 65m years ago when the comet came here. But just think what two years with the sun blotted out would do to the prices of softs. Worst case scenario, of course – but not priced into the markets at all." Freddie grinned happily at the prospect.

Presumably, I replied, he was referring to the imminent collision of fragments of the Shoemaker-Levy 9 comet with the planet Jupiter. More than 20 pieces of the broken-up comet would slam into the planet at a speed of 60km a second over a period of a few days, starting this weekend. But surely scientists were predicting that the impacts would be unobservable from the Earth, however uncomfortable they might be for any aliens who happened to be domiciled on the wrong part of Jupiter.

Hardly had I said this, than I realised I was simply providing raw material for Freddie's conspiracy theory tendency. "But what are the scientists privately telling the world's leaders?"

Freddie said. "What we see in the conventional media is a typical cover-up to prevent a global panic. Fact is, there's a 50-50 chance that the outer layers of Jupiter will be blown off to create a dust cloud that could reach as far as the Earth's orbit, cutting sunlight levels by half for up to two years, and incidentally disrupting other cometary paths. It's all been set out in the *Astro-financial Letter*, but of course the establishment papers have been told to keep quiet. So buy agricultural commodities, and while you're about it, short suntan cream shares too."

There was no stopping Freddie now. "Haven't you wondered why they did nothing at the global summit in Naples last weekend about the collapse of the dollar?" The answer's simple, they knew they didn't need to. When Jupiter blows, the big agricultural producers like the US will hold the rest of the world to ransom. The yen will be dead meat."

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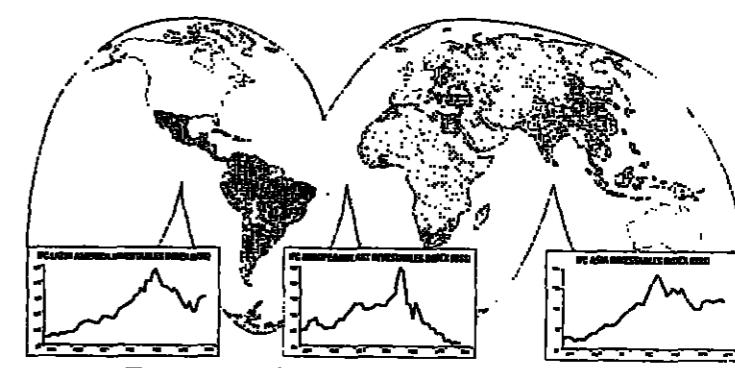
Freddie looked at me pitifully. "This is just the start of the dash into real assets," he said. "No one's woken up to just what the politicians are doing. The Germans have given up controlling the money supply. Their M3 is rising at 15 per cent a year and the Bundesbank is just laughing. Meanwhile the Americans are hell-bent on devaluing the dollar to sustain the US economy long enough to get Clinton re-elected in 1996. Gullible investors are being stuffed with trillions in global bonds which the politicians plan to repay in Micky Mouse money. I'd rather own Euro Disney shares, myself."

Er, fascinating stuff. I said unconvincingly, but it was time for the presentation on candlesticks and Elliott Waves. Perhaps we could meet later for coffee?

"I can't afford to drink the stuff any more," said Freddie. "Much too expensive. I've switched to tea instead."

GUINNESS FLIGHT

GLOBAL EMERGING MARKETS FUND



Maturities Emerging Markets Global Emerging Markets

Sources: Guinness Flight, Datastream

We believe investors should hold up to 10% of their international equity portfolios in Emerging Markets - to secure exposure to some of the world's fastest growing economies. Guinness Flight's new Global Emerging Markets Fund offers a number of advantages:

GOOD TIMING

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Guinness Flight's particular approach to managing a global emerging markets fund will be to emphasise (with a policy of wide diversification) asset allocation between markets. Initially, the fund will be weighted towards the rapidly growing Asian markets. To minimise the problems of poor liquidity, exposure to embryonic markets will be achieved principally through country funds or internationally traded securities.

Until 30 September, 1994, there is no initial charge on the fund for investments of £30,000 or above. Investments of less will receive a 1% discount, off the fund's normal initial charge of 5% during this period.

Return the coupon today, call our Investor Services Department on (44) 481 712176 or contact your Financial Adviser.

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GUINNESS FLIGHT

GLOBAL EMERGING MARKETS FUND

Guinness Flight Global Emerging Markets Fund was established on 20 June 1992 as a unit trust of Guinness Flight Global Strategy Fund Limited, one of Guinness' largest asset management companies. Investors should be aware of the risks of unit trusts and of exchange rate risk. Past performance is not necessarily a guide to the future. The value of the investment and the income derived from it may fall as well as rise and is not guaranteed. Issued by Guinness Flight Global Asset Management Limited, a member of GBN and Lazard, Merchant Investment, GBN Lazard.

MARKETS

London

Foreigners return in force

Roderick Oram

Buy in July and hope they stay high was the equity motto of the week, emboldening a nervous market and turning an old aphorism on its head. Encouraged by rallying European bond markets, investors, particularly foreigners, returned in force to London equities for the first time since February. The FT-SE 100 index gained 1124 points, or 3.8 per cent, on the week to close at 30,078.

Playing by the old rule of sell in May and stay away cautious investors had captured a good chunk of each year's gains over the past decade except last year.

Last year the market rose 23 per cent from its July trough to its December peak. This year, anyone rash enough to sell in May would be in just as much trouble. They would have crystallised a loss of 18 per cent since the market peaked in February if their portfolios tracked the FT-SE 100 index. They would also be

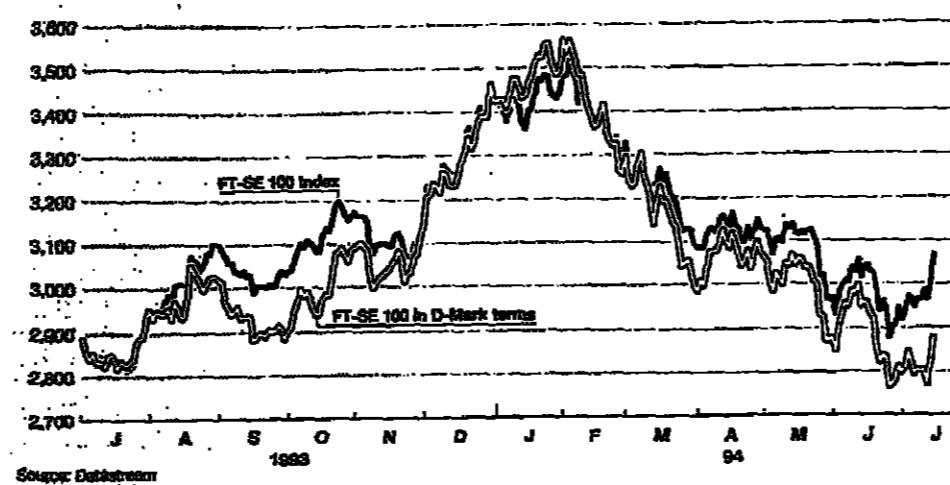
missing out on the recovery that appears to be underway.

The trigger was a switch by global investors out of dollar bonds into European bonds. They were seeking some haven to fall after the Group of Seven summit last weekend failed to offer it support.

Gilts had a particularly good rally. They rose six days in a row up to Thursday's close, their longest continuous improvement since their rout had begun in February. The run stalled yesterday, however, when the Bank of England announced it would sell long-dated gilts at its next auction. This would appear to signal that the authorities believe yields will fall no further, having reached a level appropriate to economic conditions.

In spite of yesterday's hiccup, optimism is running high in bond markets. "False dawns have been seen regularly but this rally has a more positive feel," says the bond team at NatWest Capital Markets. "Although still regarded with

Upturn looks even better to German investors



suspicion, the much vaunted decoupling between US and European markets has been seen."

The optimism was reinforced by this week's UK economic data. June's headline annual inflation rate was unchanged at 2.6 per cent and, minus mortgages, it slipped to 2.4 per cent from 2.5 per cent in May. Unemployment fell in June for the fifth consecutive month and manufacturing employment rose for the seventh time in 12 months. Construction orders in May hit a four-year high.

Spurred by the gilts rally and the economic outlook, equities enjoyed four strong sessions through the week, with the Footsie index gaining more than 40 points two days in a row. The keenest buying appeared to come, however, from foreign rather than domestic investors. One Lon-

don brokerage house said an unusually high proportion of its commissions this week had come from the Continent.

British institutions could still be cautious for several reasons: they have remained well invested in equities through the first-half slide; they are still feeling nervous about financial markets after suffering hefty bond losses; index-linked gilts are still offering a high return relative to dividend yields. These investors are unlikely to return with conviction to equities until this key relationship tilts in equities' favour and markets show some durable stability.

Continental investors have a different perspective, however, argues Ian Harnett, chief economist and strategist at Société Générale Strauss Turnbull. Valuations of the UK market look attractive relative to their home markets. The prospective price/earnings multiple for the UK market is, for example, the lowest of any major market; the yield relative between gilts and equities is well below its five-year average, unlike in the US or other European markets; the outlook for UK growth and inflation is positive; sterling's recent fall against the DM and rise against the dollar will increase the competitiveness of UK exports while helping to keep down imported inflation.

German investors, in particular, appear to have been big buyers this past week. All the positive factors about UK equities are true for them, with the currency factor playing a big role. Many had exited from UK equities in February when the market and DM/sterling exchange rate peaked. They had liquidated their UK portfolios when the pound was close

to DM2.60. Now the pound is down to DM2.40, the Footsie index looks as attractive to them as it would to UK institutions at 2,700, Harnett argues.

A keenly-priced cross-border deal was also one of the main stories of the week on the corporate scene. Tesco made an agreed 200m bid for William Low, the Scottish supermarket chain. The purchase would boost the English chain's share of the Scottish market from 7.1 per cent and fourth place to 13.7 per cent and second place. J Sainsbury, the leading UK chain, could spoil the deal with a counter-bid but such a move would be uncharacteristic. Low became vulnerable to a takeover after discount chains began to expose the high overhead it was trying to carry on a narrow geographic base.

While the Tesco bid was driven by commercial logic, it could also indicate that the stock market is again offering attractive enough values for a resumption of bids. While the stock market rallied strongly from last July to this February, many acquisitive companies complained valuations were too rich to make takeovers

practical.

One conglomerate who could boast of success this week was Greg Hutchings, head of Tomkins. His October 1992 purchase of Rank Hovis McDougall, the baker and foods group, was much criticised by the market but in the year to April results reported this week, RHM contributed at least four percentage points to the 14 per cent rise in earnings per share. The only thing Hutchings laments is that investors are still reluctant to buy Tomkins shares in the hopes they will stay high.

Serious Money

First the rethink, then the squabble

Gillian O'Connor, personal finance editor

Cheltenham & Gloucester savers and borrowers have another nail-biting month ahead of them. The society has abandoned its original scheme for dividing up Lloyds Bank's £1.5bn. The scheme was vetoed in the High Court in June, and C&G has decided not to appeal.

It is, however, confident that it can produce a new scheme which will be acceptable to members and lawyers alike.

Details and a timetable are expected in mid-August. (See Section I of today's paper.)

All those squabbled originally to benefit from the division of the spoils should keep their fingers crossed. Those who have most to hope and least to fear are the savers with qualifying accounts who have held them for more than two years.

Those with cause to worry are savers with less than two years' service and borrowers. Their strength is that they account for roughly a quarter of the votes, so C&G is eager to have them on-side. But even if it would like to find other ways of getting money into their pockets, its options are limited – particularly for rewarding borrowers. (See Section I for some possibilities.)

Whatever the new plan, the danger is of a wrangle between voting members with different interests; this could scupper the plan. As in some Victorian melodrama, both legitimate heirs and illegitimate ones are waiting to see who gets what from the overall estate. Once C&G's last will and testament is known, the squabble can begin.

□ □

Anyone unaware that rolling settlement starts on Monday must be blind, deaf and dumb. Advent calendars pop out of every financial newspaper. But rather less has been heard about margin trading – buying shares on borrowed money.

with only a small down-payment.

There are two reasons why it becomes an issue automatically after the death of the old account system, which netted out all deals within a two week account period.

First, the average period between dealing and paying will be shorter. So, many investors may find it hard to settle on time.

Second, account traders – speculators who buy and sell within the account – will have to find a new game. Under the old system, they hoped to make money without putting any up in the first place.

The obvious alternatives under the new system are either switching to futures and options, or trading equities on margin. Both types of investment are relatively high-risk because they involve "gearing" – evocatively known as "leverage" in the US, where both are common.

You put up only a small percentage of the value of the deal initially (the margin), and hope to make a profit before the date on which full settlement is due.

Like someone buying a house with a mortgage, you benefit disproportionately if the price rises and suffer disproportionately if it falls.

British investors wanting to trade on margin may find the present situation confusing, however. For, although the Securities and Futures Authority has rules designed to protect investors, there are no rules telling brokers how to handle the commercial side of margin trading.

For example: what interest rate to charge, what percentage margin to demand; what securities to accept as collateral; how to value the collateral for margin purposes; and what to do if a client breaches margin requirements.

Some brokers are avoiding the problem by suggesting that account traders simply roll over a deal from one settle-

ment day to the next. The official line seems to be that a margin of around 70 per cent would normally be about right.

One of the more aggressive brokers is offering minimum margins of 30 per cent already. Others are still dithering at the starting post. A bit of a good British bungle, what?

□ □

If you want a good example of gearing at work, look no further than the coffee market. The price has moved from under \$1,200 a tonne to more than \$4,000 this year. Most of the rise has occurred since late May because frosts have damaged the crop in Brazil.

This is the kind of market about which commodity speculators dream. In their dreams they are, of course, always on the right side of the trade. In real life, though, not everyone can be on the right side of a trade. Here is what might have happened to a couple of speculators.

First, the background. The price reached a temporary peak of \$2,430 a tonne on May 24, fell back to \$1,375 on May 27 – just three days later – and then began the long climb up to \$4,000.

On May 24, the value of one futures contract (five tonnes) would have been \$12,150. A typical margin would have been around \$2,500, roughly 20 per cent.

Anyone who sold on May 24 and closed out the contract on May 27 would have made a profit of \$2,775. So, within four days, he would have made a profit of more than 100 per cent on his actual investment. Anyone who had bought at the top and sold at the bottom would have made a similar loss over the same few days.

Now assume both our speculators had stuck with their original investment until this week. The bull would have made a profit of \$8,275, the bear a similar loss. Gearing is a double-edged machete.

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1994 High	1994 Low	
FT-SE 100 Index	3074.8	+112.4	3520.3	2676.6	Overseas fund buying
FT-SE Mid 250 Index	3551.3	+98.7	4152.8	3363.4	Growth stocks bought
BAA	955	+34	1083	880	Bumper traffic fig for June
BP	400	+15	414.5	340	Oil price tops \$16 a barrel
British Steel	157	+11.4	162	121.5	Profit expectations upgraded
Capita Comms	884	+40	1047	520	Advertising spend forecasts up
GKN	620	+32	632	510.4	Broker's recommendations
Great Universal	574	+21	653	549.1	Share buy-back hope
Johnson Matthey	574	+63	628	488	Confident agm statement
Low (Wm)	253	+84	253	138	Counter bid anticipation
Pearson	888	+55	735	570	Channel Five news
Peel Holdings	288	-23	308	258	High Court ruling overshadowed
Rank Organisation	402	+40	447.4	355.5	Better than expected figures
Sedgwick	162	-8	222	157	Credit Lyonnais downgrade
Willis Corroon	135	-7	245	133	Seller of 2% stake

AT A GLANCE

Finance and the Family Index

Best mortgage buys
Rolling Settlement/ Directors' dealings/ Week Ahead
Australian stockmarket/ Pensioners bond
Tax traps / The Professionals / Highest Rates
Q & A Briefcase



Big boost for UK government bonds

In spite of a slight set-back in late trading yesterday, UK government bonds made strong gains this week as a more positive mood returned to European government bond markets. The yield on the 10-year benchmark gilt fell back by about 1/4 percentage point as prices rose by about three points. During the week, the weakness of the US dollar encouraged some investors to shift out of US Treasuries into European bonds. Gilts were also bolstered by data pointing to steady UK economic growth with low inflation.

The Bank of England's successful sale of three new tranches of existing gilts helped market confidence. Its next auction, on July 19, will be of medium- to long-dated conventional gilts.

Soros sells British Land stake

George Soros, the international financier, has sold the majority of his Quantum Fund stake in British Land for a 36 per cent profit, and has also disposed of the fund's shares in Berkeley Group, the Surrey-based housebuilder. Soros's entry into UK property was the trigger to last year's dramatic surge in property shares.

C&G will not appeal

Cheltenham & Gloucester building society has decided not to appeal against the recent High Court veto of the original plan for dividing up Lloyds bank's £1.5bn. It is confident that it can make an alternative proposal which will conform with legal restrictions on which C&G customers can receive sweeteners. This plan is expected in mid-August.

Goodbye to the account system

Britain's idiosyncratic system of two-week account periods for dealing in equity shares ended yesterday. Under the account system all transactions within the account period were aggregated and clients settled the net amount due on settlement or account day. As from Monday Rolling Settlement takes over.

Smaller companies sluggish

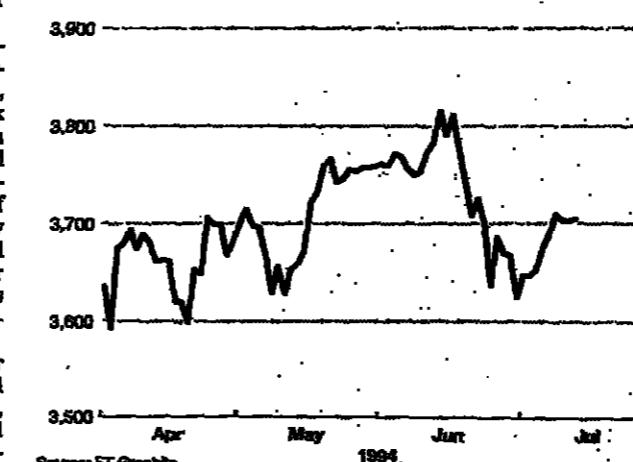
Smaller company shares responded sluggishly to the general recovery in the UK stockmarket. The Hargreaves戈夫特 Smaller Companies Index (capital gains version) was 0.6 per cent higher at 1516.38 over the week ending July 14. Over the same period the FT-SE-A All Share Index has risen 2.6 per cent. But smaller companies have still held up better over the year to date.

Next week's family and finance

The move to Rolling Settlement has made brokers' charges even more complex. We explain who is doing what.

A month is a long time in soccer

Dow Jones Industrial Average



rate sector is faring rather the bigger macroeconomic picture.

Two corporate events have set the tone. First, something to set Wall Street's pulse racing: the promise of a multi-billion dollar takeover battle (or perhaps even two). When CBS, the television network, agreed a takeover of home shopping cable TV group QVC 10 days ago, both companies' shares jumped. Last week, a rival bidder cable television bidder – Comcast – stepped in to claim QVC.

The result: both CBS and QVC shares jumped again. There could be other bidders for QVC. Also, CBS's attempt to buy QVC 10 days ago, revealed its own weaknesses (both in its lack of cable TV interests and in management), exposing it as another potential takeover

candidate. CBS shares were trading at \$312 at midday yesterday, up from \$300 earlier in the week, while QVC stood at \$44.

Meanwhile, the reshaping of the healthcare industry continued apace. Eli Lilly, the drugs company, agreed to pay \$4bn for distribution company PCS, while Kendall International, a medical supplies company, is to be acquired by manufacturing group Tyco International for \$1.4bn.

The second big moment of the week was the release of second-quarter earnings from Chrysler. Coming at the very beginning of the latest US earnings season, the car company's record post-tax profits of nearly \$1bn (40 per cent up on a year before) appeared to confirm analysts' confident predictions for across-the-board earnings advances. Chrysler's shares jumped \$17 on the news, to \$314, though by yesterday they had retraced to \$309 on profit-taking. Further strong earnings reports in the coming days could do much to calm Wall Street's frayed nerves of recent weeks.

Will it set the stage, finally,

for the summer rally of which US investors have been dreaming? A jump in share prices during the summer is a traditional part of the US investment scene. Perhaps not surprisingly, talk of a summer rally, which began in May, has resurfaced. The Dow Jones industrial average yesterday lunchtime had retraced lost ground to 3736.38 – just five points shy of where it was when the World Cup got into full swing, and more than 100 points above its low of a fortnight ago.

All the same conditions are in place for shares to stage some impressive gains as a month ago

rethink
squabbles

FINANCE AND THE FAMILY

Cash in on mortgages

Lenders are putting out some tasty bait, says Scheherazade Daneshkhu

People often move house in spring, but recent building society lending figures showed even fewer did so this year than last. As a result, societies are waving wads of cash in front of potential customers. Depending on your circumstances, these could make it worth switching to another lender - even if you do not intend to move house.

■ Fixed rates

The table shows a selection by mortgage broker John Charcol of the better deals on the market. Try to avoid compulsory buildings or contents insurance unless you cannot get a better deal elsewhere. All fixed rates carry a fee along with early redemption penalties; the latter make the cost of switching to another lender very high and deter early capital repayments. Against these disadvantages, you can balance the security of knowing how much payments will be over a given period.

■ Variable rate: discount

The lender gives you a fixed discount on its standard variable rate for a limited period. The largest discounts are for shorter periods.

Discounts are very attractive, so what is the catch? Most lenders will charge early redemption penalties which exceed the discount period, so make sure that their standard variable rate is competitive.

Charcol has just launched a mortgage combining fixed and discount rates. Interest is fixed at 6.75 per cent until January 1 1996, followed by a one percentage point discount on Britannia's variable rate until January 1 2000. The fee is £299.

■ Variable cash-back

If you need cash, lenders are offering it. But the Inland Revenue is still deciding whether to tax such payments. In general, you should be able to save more with a discounted rate than a cash-back but it depends on the amount being borrowed and the cash-back limits.

Both discounts and cash-backs are so attractive that it is worth considering re-mortgaging to get one or the other. Ask the lender how much it would charge you to re-mort-

Best Mortgage Buys

Lender	Interest rate/APR	Unit	Max advance	Minimum fee	Redem. penalty	Comp. SVC
FIXED RATES						
Yorkshire & Huddersfield & Rugby	1.90% (2.1%)	1/5/95	95%	£250	3 months	Yes
Northern Rock	4.74% (4.9%)	1/5/95	70%	£100	3 months	None
Alliance & Leicester	4.99% (5.2%)	1/5/95	65%	£200	3 months	Yes
Aliance & Leicester	5.99% (7.5%)	3 years	80%	£300 max	4 months	None
TSB	6.00% (6.5%)	5 years	80%	£300 max	6 months	None
Capital Home Loans	6.49% (6.7%)	31/3/2004	75%	£250	10 months	None
Capital Home Loans	6.49% (6.7%)	1/5/95	65%	£250	6 months	None
CAPPED RATES						
British & West CML	6.49% (6.8%)	2 years	90%	£275	3 months	None
Royal Bank of Scotland	8.99% (9.4%)	75/95	95%	£295	6 months	None
VARIABLE/DISCOUNT RATES						
Lender	Interest rate/APR	Unit	Max advance	Discount until	Comp. SVC	
Northern Rock	7.74% (7.9%)		90%	5.25% to 1/5/95-2.49%	Yes	
Bank of Ireland	7.60% (7.9%)		75%	5.00% for 1 yr +2.80%	None	
National & Provincial	7.64% (8.1%)		95%	4.00% for 1 yr +3.64%	Yes	
Leeds	7.74% (7.9%)		80%	1.00% to 1/5/95-6.74%	None	
FIRST TIME BUYERS RATES						
Lender	Interest rate/APR	Unit	Max advance	Discount until	Comp. SVC	
Monmouthshire	7.74% (8.2%)		95%	7.74% for 3 months-0%	Yes	
Northern Rock	7.74% (7.8%)		90%	5.25% to 1/5/95-2.49%	Yes	
Greenwich	7.84% (8.2%)		95%	4.89% for 1 yr +2.85%	None	
Yorkshire	1.9% (2.1%)		95%	Fixed to 1/5/95	Yes	
Northern Rock	4.99% (5.2%)		95%	Fixed to 1/5/95	Yes	
Capital Home Loans	8.49% (8.2%)		95%	Fixed to 1/5/95	None	

Source: John Charcol. *Capped rate of 6.75% (6% APR) available in branches but b/c incs compulsory; fee £300.

ers so that funds are available if you select one of their Peps. Consider investment performance and charges when you make your choice.

■ Pep mortgages

One of the most flexible and tax-efficient ways of saving to repay the capital on an interest-only mortgage is through a personal equity plan, which is free of income and capital gains tax. Some lenders are reluctant to grant a Pep mortgage, but another way into one is through a Pep provider. Some unit trust groups, including Fidelity and Prolific, have made arrangements with lend-

ers to see if the savings are significant. If you have a fixed rate, though, the early redemption penalties make any savings unlikely.

■ Large borrowers

High earners may want more flexible borrowing facilities than available on the high street. Merchant bank Kleinwort Benson has a mortgage management account which offers a draw-down facility charged at the mortgage rate,

and a cheque book for minimum withdrawals of £1,000.

Interest on money withdrawn by cheque is charged at 1 percentage point above the

bank's variable mortgage rate of 7.25 per cent. The cash borrowed, together with the mortgage amount, must not exceed 80 per cent of the value of the home and the minimum salary requirement is £35,000.

Three months ago, fixed-rate loans accounted for 80 per cent of new mortgage business at the Halifax building society, which has 19 per cent of the UK mortgage market. Today, the figure is around 5 per cent. While the change is extraordinary, it is not hard to explain, writes Joanna Slaughter.

Long-term, fixed-rate mortgages virtually sold them-

selves earlier this year because borrowers were paying less for a fixed-rate loan over three or five years than they were for a standard variable rate. But upheavals in the money markets have reversed this situation.

The borrower who wants a five-year fixed rate now has to pay a premium of around 1.5 percentage points over the variable mortgage rate. As a result long-term, fixed-rate mortgages have all but vanished.

Instead, cash-back incentives show every sign of becoming the mortgage innovation of 1994. Dick Spelman, Halifax general manager, says: "Cash-backs are marginally

more attractive to lenders than discounts. They are still a good deal for the customer."

Cash incentives - which are calculated as a percentage of the mortgage loan - were relatively modest, initially. But building societies are adept at playing commercial leapfrog and it is now possible to get cash-backs of over £7,000.

part of a mortgage offer.

It is still possible to get 100 per cent advances. These can prove a lifeline for house-owners who need to move but remain caught in the negative equity trap. The Bank of Scotland and Royal Bank of Scotland provide them and others, such as the Household Mortgage Corporation and Skipton building society, have 100 per cent schemes specifically for negative equity victims.

BES hits a snag

The dangers of property investment are highlighted this week in a letter received by 3,900 investors in Johnson Fry's SCAT (Smaller Company Assured Tentative) business expansion scheme.

The BES gave investors generous tax breaks for investment in private rented accommodation. Johnson Fry was the largest BES sponsor, and its SCAT scheme carried the added attraction of insurance, provided by Eagle Star, against a fall in the value of the property.

The investors went into the scheme in spring 1989 - just before the property market collapsed. Johnson Fry estimates that the value of the fund's property has fallen by about 25 per cent. But investors were covered only for a drop in the property's cost and not for their full investment, of which 10 per cent went into expenses.

Many investors now are keen to take the insurance and get out, but they cannot do so until the properties are all sold. The prospectus says disposals can take place between years four and six (1993-1995) but the insurance policy document, which the investors, would not have seen, gives March 1996 as the deadline.

Investors had to borrow their £10,000 investment to receive tax relief of up to 40 per cent. Interest on the loans, provided by the Bank of Scotland, has been at 2 percentage points above base rates - 13 per cent at the time - but subject to an 8.5 per cent minimum.

Those in a hurry to get out will soon be offered an escape route to cut their losses with a limited offer from Eagle Star of about 84p for their shares, leaving them to make up the shortfall on the loan. Others can choose to hang on if Johnson Fry agrees some sort of claim settlement with Eagle Star on a basis which will allow any future rise in property prices to benefit investors.

Where does the smart money go when stocks are high and interest rates are low?

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The protections afforded to investors under the UK regulatory system do not apply to investments made in the above fund. In addition, compensation under the investors' compensation scheme is not available to investors in the Colvin Woods Derivatives Fund.

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Transferring existing PEP holdings into the Skandia MultiPER is easy and quick, and there is no loss of tax benefits. For further information, call the Skandia MultiPER Hotline on the number below during office hours or this weekend between 10am - 4pm. Alternatively, contact your Independent Financial Adviser.

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FINANCE AND THE FAMILY

Australia's star rises again

Never mind Australia's endless beaches and cuddly koalas. With a 5 per cent growth rate, low inflation, and a stable political climate, interest is turning towards Australia as a good investment prospect. So isn't the country equally appealing in stock market terms? And shouldn't private investors, looking to diversify funds overseas, take note?

The answer probably is yes – but only with some big provisos. The first of these relates directly to the economic situation. While the numbers look good at present, there is much debate within Australia about the quality and sustainability of the recovery.

This argument centres mainly on whether the nation is headed for a repeat of the boom and bust cycles seen in the past – whether a decade of economic restructuring – including the continuing reduction in tariff barriers, some deregulation of the labour market, and a major effort to introduce competition into key sectors – has wrought fundamental changes.

The optimists – who include

They used to call it the "lucky country" before recession struck and unemployment soared. Now, though, recovery seems well under way. Inflation is low, the growth rate is relatively high, the political climate is stable – and prospects for overseas investors appear to be good. Nikki Tait reports from Sydney

Ralph Willis, the Australian treasurer – think it has. Government forecasts say the economy should grow at more than 4 per cent for the next four years; the budget deficit should reduce steadily from A\$13.6bn this year to virtually nothing by the late 1990s; and the underlying inflation rate should be pegged at around 2 per cent, at least in the immediate future.

According to this scenario, a greater export focus by Australian companies should allow the nation to piggy-back on the growing economies of south-east Asia, while the successful outcome to last December's Gatt talks could boost the farm sector significantly. By the time the provisions of the Uruguay Round are implemented fully, the annual export benefit could be A\$1bn-plus.

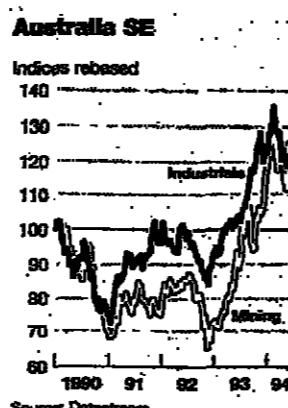
The pessimists paint a very different picture. They note that the economy's strength

Australia is forecast by broker Barclays de Zoete Wedd to produce one of the highest equity returns of any geographical area over the next 12 months. BZW expects returns of more than 22 per cent in local currency terms over the period.

It does, however, see the Australian dollar recovering from being one of the cheapest currencies around relative to the pound – thus, the return equates to about 38 per cent in sterling terms. This return projection is bettered only by Canada.

BZW believes the industrial sector is particularly attractive and estimates that it is 15 per cent below valuation.

For those wanting exposure to Australia, the choice among UK single country funds is limited. There are only three unit trusts: Barclays Unicorn Australia, M&G Australasia and General, and NM Australia. Last December, NM also



stems from a strong recovery in consumer demand. Business investment, by contrast, remains weak, and actually dipped last quarter while the household savings ratio is painfully low, too. All this, they say, is potentially destabilising.

They feel that if capacity

constraints are reached and investment surges all at once, balance of payments problems could emerge. These would be doubly serious because of the domestic savings shortage. The government could then be forced into interest rate increases, tax rises – or both.

Don Mercer, head of the ANZ – one of the country's leading commercial banks – says: "My fear is that we are going to blow it again. Achieving a durable economic upturn hinges on a substantial lift in investment, exports, and in national saving."

In the short term, perhaps, this debate need not worry a prospective investor too much. Most analysts forecast strong growth in the financial year that ended in June, and again in 1994/95 as restructuring moves taken during the recession augment the upturn in demand.

John Baynes, strategist for

Australia's SE

McIntosh Baring, thinks listed companies could achieve an average 13.3 per cent return over the next 12 months; with inflation at such low ebb, this suggests a double-digit real return.

Merv Peacock, head of marketable securities at the AMP insurance giant, says he is looking at a 15 per cent annual growth in earnings per share for the next two years. Nevertheless, the possibility of a "blow-out" scenario down the track does suggest that any investment funds committed to the Australian market should not be left unattended.

A second, more technical,

point is that the Australian stock market has enjoyed a very strong run already. This began late in 1992 and continued until early this year when the US Federal Reserve increased interest rates.

It is true that the Australian All-Ordinaries index has fallen by about 14 per cent since then. But the long period of unbroken progress means that the historic price/earnings ratio on the index has climbed to around 17-18 times. This looks wildly out of line with the 1970s and 1980s when the market p/e rarely exceeded 10-11 times, and was sometimes as little as 6-7.

Yet, as statisticians at the Australian Stock Exchange point out, comparisons with the 1950s (a low-inflation era) are much more favourable.

Then, the market p/e stood at around 15-16 times earnings. In

short, if you want to believe the Australian market offers value, you probably need also to believe that an era of modest price increases is here to stay.

For those investors under-

terred by such caveats, some

fund managers do think the

market's post-February weak-

ness presents a good buying

opportunity. Offshore investors,

moreover, may have the

added opportunity of a cur-

rency play. Australia remains

weighted heavily towards the

resources sector and tends to

see a close relationship be-

tween commodity prices and

its currency, with a rise in the

dollar usually boosting the

dollar.

Although commodity prices

have moved off their recent

lows – and have surged in



Downtown Sydney, where many Australian companies have their headquarters

Glyn Green

For good returns, dive Down Under

launched a Smaller Australian Companies investment trust; this is trading at a premium to its net asset value, reflecting a high degree of demand.

NM was the UK arm of the National Mutual Life Association of Australasia until it was bought by Friends Provident at the end of last year. NM Australian is the largest of the three trusts, with about £26m under management, and is top of the Australasian sector over five, seven and 10 years to July 1. But it has slipped more recently to second position over three years, according to HSW (offer to bid, net income re-invested). Growth over 10 years is 45 per cent and 85 per cent over five years.

It is the only one of the

three trusts to be included in the Unit Trust Analysis Guide produced by Fund Research. This measures the performance of funds in terms of consistency and fund management experience, as well as quantitatively. Unit Trust Analysis selects consistently high-performance funds for the guide.

The NM unit trust contains 40 to 50 stocks, with the top 20 holdings accounting for about 75 to 80 per cent of the investment. The fund manager, Victor de Lorenzo, also manages the NM Gold fund and the NM Smaller Australian Companies trust, as well as NM's Australian retail trusts.

Another way of gaining exposure to the Australian market is to invest in a commodities fund, which will

have exposure not only to Australia but also to other mineral-rich countries, such as South Africa. But the spread across continents does not mean these are any less volatile than a single country fund – which means that it is not a good idea to have much more than 5 per cent of your overall growth portfolio in these funds.

Mercury's Gold & General unit trust has a consistently high performance record in the commodity and energy sector over five years to July 1 (source: HSW); about 30 per cent of the portfolio is invested in Australia.

Waverley Australasian Gold is a fund that is targeted more regionally; but while it would have turned £100 invested two years ago into £315 today, the same amount invested seven years ago

would be worth only £57 now.

Scheherazade Daneshku

recent days – most forecasters

see further improvements

ahead as more economies pull

out of recession. "I know some

investors are playing the Aus-

tralian market largely because

of the foreign exchange fac-

tor," says one fund manager.

So, as long as you are per-

suaded that this adds up to a

plausible case, where should

you shop? A number of fund

managers and analysts say

they see more value in the

industrial sectors than the

resources stocks, simply

because the climb so far has

been most marked in the latter

area. (Many major resource

companies, like Western Min-

ing Corporation, saw their

share prices double between

late 1992 and early 1994).

Baynes likes Australia's

media sector because of such

factors as its exposure to the

surging domestic economy and

the potential for increased

advertising. He also likes the

engineering sector and sees

some selective value left

among resource stocks.

Peacock tends to concur on this point. "Resource stocks run hard when they run, and it would be a brave man who says that they won't run further," he says. But John Murray, head of equities at Perpetual Funds Management, thinks that "a fair bit of the resources game is over". He reckons that some of larger industrial conglomerates have been overlooked in recent months and recommends the likes of BTR Nylex and Pacific Dunlop, both of which are listed in London.

Where pensioners can find the most for their money

Barbara Ellis examines the investment options for those over 65

More than 160,000 people have put £1.39bn into National Savings guaranteed income bonds for pensioners since the scheme's launch in January.

Holders over 65 get a 7 per cent annual return, paid gross (but taxable) each month over five years, on deposits between £500 and £20,000. But those who cash in before the end of the five years must give 60 days' notice and they will lose 60 days' interest as a consequence.

Is this the best that pensioners can do?

■ Building societies The table shows how the bond compares with some of the top-rated, five-year building society bonds.

Escalator bonds, with interest rates rising each year, usually impose a £2,000 minimum if interest is to be paid

monthly but have a higher upper limit than the pensioners' bonds – £500,000 or, occasionally, £1m. Penalties for early redemption can be steep, however. The Halifax's escalator bond has interest rates stepped from 6.55 to 10.55 per cent, averaging 8.49 per cent over the five years.

Withdrawals are allowed only after two years, when the penalty is six days' loss of interest for each full month left. But there is a maximum penalty of £326 on a £10,000 investment.

After tax, the NS bond's 7 per cent is worth 5.25 per cent to a 25 per cent taxpayer or 4.2 per cent to those on higher-rate tax. This compares with the top-paying escalator bond – at present, from the Woolwich building society – at 6.42 and 5.14 per cent, net.

■ Guaranteed income bonds

These bonds are issued by

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FINANCE AND THE FAMILY

Traps for incautious taxpayers

The Revenue can make mistakes and you should always check its figures, says Andrew Radice

Tax returns are flowing into the Inland Revenue, most for the 1993/94 tax year. But since the Revenue admits it makes mistakes, you should always check the contents of the brown envelope.

You can easily get four separate assessments for one year's income: self-employed earnings, employed earnings, untaxed income and tax income - not to mention capital gains. While each assessment follows the same logical outline, here are some points to watch for.

Income
Normally, this presents no problems for Schedule E (pay as you earn) taxpayers as employers provide them with details of salary and benefits. But all other sources should be checked carefully.

Allowances
Often, these are wrong. Ask your self the following questions:

1. Does your assessment include your personal allowance (£3,445)?

2. If you are married, either you or your spouse should benefit from

the married couple's allowance (MCA). Does one of you have it? For 1993/94 it is £1,720 for those under 65, £2,465 where the elder spouse is under 75, and £2,505 where the elder spouse is 75 or over.

3. If you are over 65, you have a higher personal allowance (even higher if you are 75 or more) provided that your total income is £14,200 or less. This is shown on your assessment?

4. Did you pay personal pension contributions or additional voluntary contributions (AVCs) in the tax year? If you are self-employed, you should get relief in the allowances section of your assessment. If you are an employee, you will have had basic-rate tax relief when you paid contributions, so you will be due

further relief only if you are a 40 per cent taxpayer.

If you are self-employed, half of your class 4 national insurance contribution (NIC) - which is calculated separately at the bottom of the page - is given as an allowance. But there can be errors. There is no Class 4 NIC on profits below £5,340

for 1993/94, so an assessment showing a lower limit of nil is wrong.

Even if the line "Amount chargeable to tax" is correct, you need to check that the tax rates are right. For 1993/94, the first £3,500 is charged at 20 per cent, the next £21,200 at 35 per cent, and 40 per cent thereafter.

The fun starts if you have dividends. There is no more to pay if you do not fall into the 40 per cent band, but there are complications if your dividend income straddles the 25 and 40 per cent bands. Your capital gains are treated as the top slice of your income.

The bottom box on the assessment, "Allocation of allowance and rates of tax" can be confusing. You, the taxpayer, have the right to choose the way in which you set your personal allowances against your income.

It will usually be to your advantage to set them off against the income which is taxed earliest. If you are an employee, the Revenue normally will do this for you through the Paye system. But in order not to raise assessments for trifling sums, the Revenue usually will restrict your allowances instead.

If you are a married man with a salary of £40,000 in 1993/94, taxed interest of £1,500 (net), untaxed income of £150, and a dead man's allowance of £100, your basic-rate tax of £133. So, your basic-rate band of £1,200 will be increased to £21,333.

The effect of this is that you will pay tax at 25 per cent on £133 of your income which otherwise would have been taxed at 40 per cent.

church for £100 a year, your allowances total £1,163.

The Revenue probably will not assess the £150 but, instead, will restrict the allowance on your Schedule E assessment to £5,015. This will show up both in the "Allowances etc" section and the "Allocation" section.

Gift aid

You can make donations to charities by deed of covenant or under the Gift Aid scheme; these are allowable against your higher-rate tax bill. But relief for a charitable deed of covenant is slightly complicated.

You make your gift net of basic rate of tax of 25 per cent. For tax purposes you have paid £133, from which you have deducted £33 tax. If you pay higher-rate tax, you get relief for your donation by having your 25 per cent band increased by £133. So, your basic-rate band of £1,200 will be increased to £21,333.

The effect of this is that you will pay tax at 25 per cent on £133 of your income which otherwise would have been taxed at 40 per cent.

and translate what they say into a portfolio." He adds: "Death is our greatest source of client loss, by quite a long way."

Where appropriate, KBIM's portfolio managers use derivatives such as futures and options. Gregory believes derivatives will become an increasingly acceptable way of managing portfolios although he concedes that, as yet, "it is not something that a number of clients are very comfortable with".

Although there is no hard rule about the acceptable size of portfolios, the minimum annual management fee of £1,500 largely dictates the level. Clients with less than £200,000 will be steered towards the firm's unit and investment trust service.

Unlike many competitors, KBIM offsets fees against the commission generated during the charging period. No fee is payable on holdings of Kleinwort Benson unit trusts, offshore trusts and investment trusts.

Clients also can benefit from KBIM's unusual status as a bank in its own right. It is regulated by both Inland and the Bank of England, and the services of Kleinwort Benson Private Bank have been designed specifically for clients with investment portfolios. Gregory points out: "Clients can place deposits and borrow from KBIM, so the quality of the service we can offer is genuinely integrated. It gives us a very quick response to any requirement that clients may have."

KBIM is anxious also to emphasise that it is not interested only in the super-rich. Gregory says: "There is a common misconception in the outside world that you cannot come through the door here without £10m. That is not so."

The Professionals

A business built on benchmarks

Seeing how the experts look after their clients' money gives an insight into managing your own better. That's the theory behind Joanna Slaughter's series on private client investment managers.

Today: Kleinwort Benson

Alastair Begg, chief investment officer of Kleinwort Benson Investment Management, is not one for false modesty. "We have one of the most disciplined approaches to asset allocation for private clients that there is," he claims.

That approach has been refined and rationalised recently. In January, KBIM produced three benchmark portfolios for private clients, adjusting the weightings to reflect the needs of those seeking income, capital growth, or a balance of the two.

The benchmarks were built around certain assumptions, says KBIM director Andrew Gregory. These are:

■ That the minimum requirement for most private clients is maintaining their assets in real terms.

■ That equities will perform better than bonds in the long term.

■ That the risk of a portfolio

should be spread both geographically and industrially. Begg adds: "The benchmarks are the rocks to which we hold fast. We make our decisions around them."

Take the benchmark portfolio. It has 15 per cent in index-linked gilts, 10 per cent in conventional gilts, 45 per cent in UK equities and 30 per cent in overseas equities, with the international exposure weighted equally between Europe, Japan, the Far East and America.

Yet, KBIM's present market weightings for a balanced portfolio have far less money invested in bonds (just over 7 per cent), a 60 per cent exposure to UK equities, and a smaller exposure to Japan.

The KBIM policy committee has regular global strategy meetings. The last policy decision it took was to sell some of its Japanese investments and place them into the Far East.

Investment managers: factfile 4

Kleinwort Benson
(Kleinwort Benson Investment Management)
Established: 1792

Regulator: FSA; Bank of England
Number of offices in UK: Two
Number of offices worldwide: 19 (group); 5 (investment management)
Funds under management: £14bn (£2.5bn private clients)
Number of UK private clients: 3,200
Number of expatriate/foreign national private clients: 700
Minimum investment for private clients: £200,000
Current asset allocation for private clients: Balanced portfolio, UK equities, 60.54%; overseas equities, 32.23%; cash and gilts, 7.2%

Average annual portfolio turnover: 25-30%
Fees: 0.9% on first £1m; 0.5% on next £2m; 0.25% thereafter; minimum £1,500 pa.
Fees are offset by commissions.

Such a policy shift is reflected within 72 hours in the portfolios of discretionary clients and the 10 per cent of clients who are non-discretionary have been alerted, too. Begg says this cannot be done in 24 hours because each client portfolio needs to be studied to see if a capital gains tax liability will

be triggered. For the same reason, there is a similar time frame when changes are made to KBIM's list of approved shares.

The list, based on recommendations by the firm's 12-member research group, features 50 to 60 global shares and 25 to 30 in the UK. Interpreting it on behalf of clients is the task of the 25 portfolio managers.

There is also a black-list of shares; this includes companies with opaque accounts.

Begg says: "We never hold the shares if we can't work out what is going on in the company because we can't research it."

Although KBIM sometimes invests directly overseas on behalf of the very wealthy - recently, it bought Philippines Long Distance Telephone for private clients - Gregory says portfolio managers "would not make that kind of investment without putting in a basic fund first. If you want to invest in

emerging markets, or somewhere like Japan, the best way to do it is through a collective scheme".

KBIM is an enthusiast for emerging markets and uses its own offshore fund or investment trust to give private clients exposure to this sector.

Instead of investing according to an index, the firm weights each of the 24 emerging markets equally, on the ground that there is little or no correlation between the performance of the individual markets.

When a market outperforms by a certain amount, the managers are forced sellers; when it underperforms, they are forced buyers. Begg says the strategy is unique to Kleinwort's emerging market funds and that the diversity reduces risk.

KBIM's asset allocation and stock-picking disciplines do not mean that each private client is dealt the same hand of cards. Begg says: "You can't put people into boxes, and there is no answer that is likely to be right for more than one client. Where I think the value is really added is by portfolio managers who have been here for a long time, who have known their clients for a long time, and who listen to them

and translate what they say into a portfolio." He adds: "Death is our greatest source of client loss, by quite a long way."

Where appropriate, KBIM's portfolio managers use derivatives such as futures and options. Gregory believes derivatives will become an increasingly acceptable way of managing portfolios although he concedes that, as yet, "it is not something that a number of clients are very comfortable with".

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Axe
for
bonds

Some fixed-rate bonds, issued in recent weeks by building societies and offering good returns, have now been withdrawn.

Chelsea building society withdrew its five-year fixed rate of 9 per cent gross this week. Skipton has withdrawn its four-year fixed rate of 8.75 per cent after only 12 days.

The term of the Newcastle Growth bond has been reduced from five years to three, with rates starting at 7 per cent in the first year and rising to 7.5 in the second and 8.5 in the third.

Although these five-year fixed rates have been withdrawn, the societies still have very good products to match National Savings. Britannia has a one-year bond at 6.5 per cent to beat FIRST Option bonds.

A recent survey by Moneyfacts shows that an investment of £10,000 made in building society fixed-rate products on July 1 would all pay out more monthly interest than the Pensioners' Guaranteed Income bond by the end of the term.

The leaders are Woolwich BS on the monthly option of its Guaranteed Growth bond, and Halifax with its Stepped Income Reserve.

The Woolwich bond requires a minimum deposit of £1,000. This pays monthly interest of 7.05 per cent in year one, 7.5 in year two, 7.95 in year three, 9.3 in year four and 11.05 in the final year.

Guaranteed income bond rates have also held. These are of interest to taxpayers as they are automatically paid net of basic-rate tax, which cannot be reclaimed.

The top rate on a five-year bond at the moment pays 7.75 per cent net, equivalent to 10.33 per cent to a basic-rate taxpayer.

Christine Bayliss
Moneyfacts

HIGHEST RATES FOR YOUR MONEY

Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs					
Birmingham Midshires BS	First Class 0322 645700 Direct Premium 0345 249248 Classic 0300 717515 Post Direct 0800 481444	Postal Postal Postal Postal	£500 £1,000 £2,500 £25,000	5.00% 5.40% 6.00% 6.60%	Y/N
Bradford & Bingley BS	90 Day 081 484 0814	90 Day	£500	6.60%	Y
Cheltenham BS	90 Day 0372 742211 Fixed Rate Bond 0755 700511	90 Day 30.5.97	£10,000 £5,000	7.15% 8.25%	Y/Y
Nottingham BS					
NOTICE A/cs and BONDS					
City & Metropolitan BS	Super 60 081 484 0814	60 Day	£500	6.00%	Y
National Counties BS	90 Day 0372 742211 Fixed Rate Bond 0755 700511	90 Day 30.5.97	£10,000 £5,000	6.60% 8.25%	Y/Y
Skipton BS					
MONTHLY INTEREST					
Britannia BS	Capital Trust 0838 381741 Monthly Income 0488 744500 Scarborough BS 0800 590578 Yorkshire BS 0800 481444				

PERSPECTIVES

Computing/David Carter

Spreadsheet simplicity

Do not assume that spreadsheets are only for serious number-crunchers: they are the simplest type of personal database available. Once you understand how a spreadsheet package works you will find it useful for all sorts of tasks.

□ **Invoices and statements.** For accounting, the spreadsheet will make all the calculations automatically, including 17.5 per cent VAT.

□ **Quotations for jobs.** If you issue quotations you can produce them on a spreadsheet, then amend them into an invoice once the job is done.

□ **Sales or purchases day-book.** Your spreadsheet can also be used to analyse invoices into total, VAT, stock, telephone, fax, rent etc, automatically adding up and cross-casting the columns.

□ **Cashflow and Sales forecast.** Spreadsheets are handy for forecasting cash and profitability. Type anticipated weekly or monthly cash receipts and expenses into a cashflow forecast and the spreadsheet will automatically calculate the running balance on a bank account - or enter the number of units you expect to sell and the spreadsheet will calculate monthly income and gross profit.

□ □ □

Of my own 200-odd spreadsheets, the great majority are simple lists, all of which can easily be amended and a fresh copy printed. The main benefit of these lists is that they pull together a large amount of information into one place. Virtually every one is in condensed print, so I can fit 132 characters across the page.

□ **Contacts list.** In such a spreadsheet, the column headings might be "company name", "contact", "phone no.", and "comments". With about 60 lines per computer page I can get 60 contacts and telephone numbers into a single page of printout.

□ **Product price list.** Perhaps the most important list for any company. Record on your spreadsheet the part number, description, cost price and selling price of each product you sell. It is easy to keep the price list up to date as prices and products change. When stock-taking, type in the quantity counted of each product, then multiply by the cost price field for an instant year-end stock field.

□ **Foreign currency.** For example, if your base prices are in sterling and you need to convert to DMarks, the spread-

sheet will automatically apply the latest exchange rate.

□ **Importing/Property/Portfolio valuation.** A spreadsheet is ideal in importing, for converting prices into sterling and working out the landed cost.

In the property business, multiply the square footage of each building by the latest insurance or rental rates per square foot to calculate annual insurance cost or rental income. If you own shares, enter the name of each security and the number held into a spreadsheet, then enter the share price each week to calculate your current portfolio value.

Then enter the Inland Revenue's latest indexation factor to work out capital gains tax.

□ **Retail businesses.** Shop owners unsure how to use a conventional sales ledger such as Sage, should forget sales ledgers which deal in credit sales. Instead, they should use a spreadsheet to reconcile cash takings with the till roll each day. Add up the totals each month then divide the till roll total by 1.175 to work out VAT.

Then post as a single journal direct to the nominal ledger.

□ **Departmental.** Another retail application. The columns of the spreadsheet would be the days of the week; the rows would be the departments ("food", "confectionery", etc).

Enter the departmental totals each day from the till roll and the spreadsheet will add up the total weekly sales by department. With a conventional spreadsheet you would create separate spreadsheets for each week and end up with 52 by the year end.

□ **Three-dimensional spreadsheets.** A 3-D spreadsheet can consolidate all 52 into one spreadsheet, tucking them in one behind the other and allowing you to flip quickly from viewing one week's sales to the next.

□ □ □

Which spreadsheet do you buy? You may find that the Excel or Lotus 1-2-3, are more than you will ever use and that an integrated package such as MicroSoft Works is more suitable (584 by mail order from Guardian Computing, 0753-516959, Dos or Windows).

For retailers, the best 3-D spreadsheet package is Borland's Quattro Pro 5.0 for DOS (238, also from Guardian). Its manual (page 48) contains an excellent tutorial showing how to set up a daily expenses analysis.

□ **Foreign currency.** For example, if your base prices are in sterling and you need to convert to DMarks, the spread-

Rather than growing too big for their boots they have had to avoid letting success go to their heads at Olney Headwear, the only manufacturer of men's hats in Luton, a traditional hat-making town.

After 75 years making panama hats and a handful of other styles, including uniform hats, the company made its first takeovers in the late 1980s. The recession years have been excellent for business - sales have risen 80 per cent in five years.

"Although we are making 42,000 men's straw hats a year, nearly all of which are panamas, we now have only 60 per cent of the UK market in these fashionable styles, which is a decrease in market share," said managing director Michael Olney, 54.

When the panama boom started in the late 1980s, a number of other manufacturers took up the challenge. Many found they weren't up to the job, but a few have stayed.

"However we are still the country's biggest manufacturer of genuine panama hats, using hand-woven tortilla fibre imported from Ecuador, and in the meantime the two takeovers have meant we have increased our total range of headwear to 500 different styles."

Michael and his brother Nicholas head the family company, which has 60 employees, and which manufactures 12 styles of ladies' hats, mainly for Laura Ashley and other large retailers. Ladies' hats comprise 17 per cent of the company's £2.5m turnover - about the same percentage as panamas. Workwear hats - mainly for the food and laboratory industries - make up 27 per cent, and gents' tweed caps and hats another 20 per cent.

"We try to make our range a mix of classic and fashion items," said marketing manager Paul Offord.

"Although the panama has been made by Olney for many of the company's 80 years and is now an established classic it would be foolish to assume it will always remain as fashionable as it has been for the past five years.

"Michael and Nicholas were very wise to buy a small Luton gents' tweed hatmaker in 1988, and in 1989 they consolidated this by buying a Glasgow cap specialist from the receiver for £12,500 in late 1989, just before I joined the company. The two acquisitions broadened the Olney range of expertise and almost doubled the range of products."

The recent purchase of 5,000 sq ft of extra space adjoining the Luton factory at a price of £30,000 was financed by a 10-year loan from Natwest.

Apart from that, the only borrowings are on overdraft. This arrangement is vital because of the seasonal nature of the hat trade, and also because cashflow is very unpredictable, particularly with suppliers in Ecuador and



The hat-making Olneys (from left): Andrew, Nicholas, Michael and David

Ashley Athwood

Minding Your Own Business

A family keen to get ahead

Clive Fewins on the recession-beating strategy of a hat-making company

China, from which Olney buys all its straw.

All the overseas buying is done by letters of credit, but getting the money in from the retail trade in this country is frequently a headache, said Offord. That and the other financial aspects of the business are the preserve of Michael and Nicholas' son David, 26, the company accountant. He and his brother Andrew, 31, who is production manager, are the fourth generation of the family in the business.

In 1989 - a notable year for the company - the brothers also changed the name from A.E. Olney (their grandfather Albert Edward founded the company in Luton in 1914) and poached Offord from a competitor to implement their new policy of selling direct to the high street.

"For nearly 75 years we had sold to the trade, but for a variety of reasons we decided to cut out all wholesalers and go direct to the retailers," said Michael Olney. "Paul's initial task, together with my brother Nicholas and three agents, was to make this strategy work. A

new leaflet was produced detailing the entire range of panamas, cottons and straws, workwear hats, tweeds and caps and gents' felt hats, and Paul took to the road.

"We thought it would be difficult opening up 50 accounts in shops all over the country," said Offord. "In fact, we received a very good reception in the retail sector. After 75 years in the trade we were pleased to find we were pretty well-known. A lot of our customers had been buying our hats under different names without realising it. It was

hard work legging it all over the country, but well worth the effort. It was very good strategy on the part of Michael and Nicholas - and the move came at just the right time to counteract the effects of the recession."

The company's turnover is £2.5m. Rates of profit on different lines are well-kept secret in such a competitive business, but the company seeks a net profit of 25 per cent.

The main financial obstacle is one Olney is well used to dealing with: the necessity to carry a large stock.

"Hats are very light, but bulky. Much of the newly-acquired building will be used for warehousing," Michael Olney said. "At the beginning of July we had nearly 4,000 hats, valued at approximately £150,000 in storage. Many have gone out now - but we need the space in anticipation of the increased numbers of tweed hats and caps we are making for autumn."

Despite the prestige of its own-name hats in the high street, the company tries not to forget that the biggest single sector in its business is industrial headwear, of which it make 5,000 units a week.

Michael said: "Many of these products require far less skill than goes into making a panama that retails at up to £80. But in many ways they are the lifeblood of the company."

"The other vital element in our success is our workforce. A lot of processes in hat-making will always be carried out by hand. At the top end it is still a craft-based industry."

■ Olney Headwear, 106 Old Bedford Road, Luton LU2 7PD. Tel: 0582 31512.

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FASHION

Clothes' sexual challenge

Katrina Blandy on cross-dressing since *Adam and Eve*

Takarazuka: the joke rendered harmless

Ever since Adam and Eve clothed themselves in fig leaves, cross-dressing between the sexes has been a topic which is both risqué and overplayed. The clothes you wear define not only the type of person you are, but also your sexuality.

To give his female characters freedom, Shakespeare would disguise them as men and let them loose on stage. But while Ganymede/Rosalind thinks she has the upper hand, Shakespeare's audiences would be laughing at her. A boy actor dressed as a girl, then disguised as a boy to dupe her beloved was a popular and effective way of challenging conventional sexuality as defined by costume.

With the arrival of the Japanese show Takarazuka at London's Coliseum, the challenge

to clothes as definitive of sexuality has taken a much more modern turn. Members of the all-female cast train for years to earn a place in the company, but only the most successful are chosen to play men. They immediately develop the distinctive Takarazuka quiff, and in doing so mark themselves out as men who are women.

Here is the opposite to the Shakespearean joke, and, considering the Japanese patriarchal society, one that is tolerated remarkably openly. Except here, the *raison d'être* of this particular sex change is to increase the women's understanding of the role of men and thus to make the women into better wives, so that the dangerous joke is rendered harmless.

This summer's prevailing look of soft pyjama trousers

sharply offsets the earlier sharp-edged city suit. Women in the 1980s who wore bold, distinctive suits to the boardroom were issuing a definite challenge to their male colleagues. These primitive distinctions between the sexes have now blurred, so that fashion of the 1990s is more about the person you are, rather than the sex you are.

However, the challenge of cross-dressing remains. At the Central Saint Martin's 1994 graduate show, Juliet Gatto showed a collection of humanoid invaders. Aliens are usually asexual. Aliens are usually asexual. Gatto was careful to mark out the sex of her model by making him promenaded with a large penis on the front of his clothes. However tacky this may seem to some, it had a deeper purpose in explicitly flaunting what humans since Adam and

Eve have been trying to hide. Visually, the point she was making is obvious: everybody knows that beneath their clothes they are either male or female. What Gatto achieved was not subtle but it was effective, because it focused on the symbiotic relationship between clothes and sexuality. Here, the issue of sexuality was unambiguously displayed on the outside of the clothes rather than hidden beneath.

The child in the fairytale of the Emperor's New Clothes points out that the Emperor is naked. The child's eye sees and acknowledges what adults all around fear to do. Naked, the essence of the Emperor as a man is all the more on view. Yet the crowds around still believe him to be dressed until they are told otherwise.

What clothes seem to do for sexuality or personality is to



Dressing up: Adam and Eve

reflect and direct a certain attitude or posture. Women wearing suits or men wearing kilts are all making – or trying to make – a statement about themselves. The question is whether the wearer is in control, or the designer. If a designer clothes you, rather than you wearing the clothes, then the passer-by – much like Shakespeare's audience or the child in the fairytale – is having the last laugh at your expense.

Why Soho can suit the smart set

It is not just Savile Row tailors who can cut a dash in the world of top-class menswear, says Jane Mulvagh



John Pearce (left) in his Soho menswear shop; for customers who like verbal jousting

Jack Nicholson has been in London. Between dining at San Lorenzo, dancing at Tramp and sleeping at The Connaught, the actor has been stocking up on a few conversation-piece suits. Nicholson is not to be found on Savile Row but in Soho, giving his high-profile custom to John Pearce of Meard Street.

Pearce must be a very successful man, for he does not regard politeness as a tool of his trade. One imagines the

sparring that takes place over the tape measure as he calculates the jib of Nicholson and fellow celebrities Mick Jagger, Tom Cruise, Malcolm McLaren, Nicole Kidman and Marcella Fosstrupp, for he subscribes to the tiresome "it's cool-to-be-rude" style of badge-waging with customers, for fear, perhaps, that they will mistake his work for a service.

His tailoring style is "ladish". While he can offer the full gamut of classics – grey flannel, Prince of Wales check

and Harris tweed – since his days at "Granma Takes a Trip" in the 1960s, he leans towards more attention-seeking tailoring, such as *champagne* velvet, Hendrix suits, pony-skin print shirts, horizontal pinstripes, and bookmaker checks.

But he finds today's rich rock stars of a certain age preferring his more conventional offerings. "You can get bored of being a fashion plate, and so you dress down in a neutral uniform." The greatest compliment that Pearce can pay a

customer is that "I don't recognise one of my own suits on them, it becomes part of them". He has cited Richard Ingrams as a pleasing example of this, in his signature, bashed-up corduroy suits.

While most of Pearce's clients fall into the "performing arts and their hangers-on" category, he also caters for the business community. So if you can afford at least £700 for a suit, and like verbal jousting, Pearce will oblige.

A similar counter-culture is

served by the talented young tailor Oswald Boateng. But, while cutting the sharpest suit in the trade, he will ply you with old world courtesies. A tall, athletic client is best suited to the Boateng treatment for he cuts suits with fork-prong narrow trousers and high-waisted coats. Both his male and female customers emerge from his Portobello Road studio looking like gloriously-coloured Daddy Longlegs.

David Chambers, a jovial tai-

lor based in Hertfordshire, will come to your home or office for fittings, and lists singer Bryan Ferry, designer Sir Terence Conran, artist Patrick Hughes and gallery owner Tim Jeffries, among his clients. Chambers has a keen eye and a sure hand. He is also flexible, taking full advantage of the tailoring school of business. Hamish McAlpine, the film distributor, swapped his much-coveted Ferrari for 28 Chambers suits. Prices start at £500.

Mark Powell, another Soho-

based tailor, specialises in nostalgic-inspired suits, such as the new Edwardian, four-button coat favoured by musician Jools Holland and comedian Vic Reeves. He is not only patronised by stars but also by stage companies requiring period costume. His imposing frame, shaved head and Michael-Caine-in-Alfie manner belie a courteous temperament. John Pearce: tel 071-434 0732. Oswald Boateng: 081-564 1465. David Chambers: 071-237 5428. Mark Powell: 071-237 5428.

Slipping in and out of style

To Ireland this week for an "in-depth" look at the world of Lycra is the company of a bevy of listom fashion assistants. The fashion assistant is a breed unto herself. Paid a pittance, she nevertheless manages to make your very expensive designer suit look like last year's leftovers.

She spends much of her life in cupboards, sorting through some of the world's most expensive clothes and this has taught her a thing or three.

It means she can spot the provenance of anything sartorial, from a designer suit to a handkerchief, with all the devastating accuracy of a cruise missile. Thought you had picked a bargain in Surbiton?

Felt pleased with your under-stocked buy from Tesco? You will not fool her. Her laser-beam eyes tell you that she knows just where you bought it and exactly how much you paid.

If there is one thing she knows it is *what* and *what's out*. While you are still working out how to put together this year's understated, natural look (all white and floaty) she has moved on and is into *glamour*. Her heels are high, her lipstick red, her hair piled high.

This is no new-age mystic searching for inner truth (that was last year); this year's model is the dangerously bad and wicked vamp. She has come in out of the flower-filled

fields and night-clubs, preferring gay, are now her natural habitat.

All that sorting through of fashion cupboards (not to mention the odd chic gift from grateful fashion houses) has given her a confidence that belies her years. If she has a credo it is this – if in doubt wear black. Gathering for dinner in one of Dublin's jolly eateries (La Stampa, very much to be recommended) we looked much like a widows' coven – nothing but black as far as the eye could see (except for my six-year-old New York number. "Oh, how lovely that you are wearing a *print*," said one).

For those of you who are more than 17 years old, whose stomachs are less than wash-

board flat and who have been wondering just how you wear this year's tiny slip-dress, here is a fashion assistants' secret.

Firstly, buy it in black. Secondly, get one of Sue's Total Body-Shapers (£18.95, from House of Fraser stores). Made from nylon and Lycra Spandex this gives what in the trade is called "total body control" – everything from the top of the bosom down to the ankle. It is no good protesting that this poses serious physical challenges for that is not the point – if you want to look good in a slip dress then, as one of the more voluptuous assistants pointed out, you just have to cope with the inconve-

nience. If you are exceptionally young and exceptionally thin you can wear it with long stay-up stockings (Marks and Spencer's stockings have the most staying power).

For those who are aged over 30 it may be more instructive to observe what fashion assistants do when they graduate to being editors. Then they wear their flirty slip dresses in layers (black, *bien sûr*). The dress goes over a longer tube-like skirt, and over the dress goes a loose top and they add bright red lipstick and sexy, high-heeled, strappy shoes. That is this week's news. By the time you read it the fashion assistants may well have moved on.

Lucia van der Post

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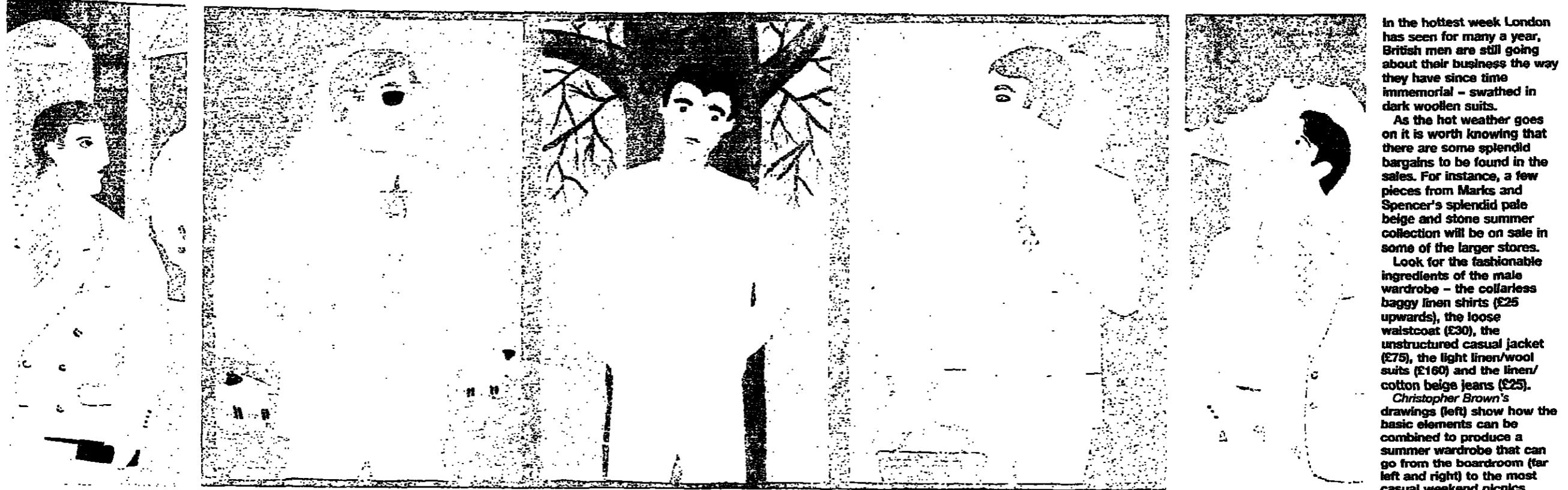
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HOW TO SPEND IT



In the hottest week London has seen for many a year, British men are still going about their business the way they have since time immemorial - swathed in dark woolen suits.

As the hot weather goes on it is worth knowing that there are some splendid bargains to be found in the sales. For instance, a few pieces from Marks and Spencer's splendid pale beige and stone summer collection will be on sale in some of the larger stores.

Look for the fashionable ingredients of the male wardrobe - the collarless baggy linen shirts (£25 upwards), the loose waistcoat (£30), the unstructured casual jacket (£75), the light linen/wool suits (£160) and the linen/cotton beige jeans (£25).

Christopher Brown's drawings (left) show how the basic elements can be combined to produce a summer wardrobe that can go from the boardroom (far left and right) to the most casual weekend picnics.

Spectacles to put fashion freaks in the shade

Lucia van der Post tries out sunglasses which protect and look good

Chic Simple's handbook on spectacles is in no doubt about what is the most important thing about them - "remembering where you left them last". True, true. Even now I am lamenting my cool blue Calvin Klein shades - they sum up everything that this year's sunglasses should be - and I have not the faintest idea where I last left them.

The second most important thing is not, you may be dismayed to learn, the shape of the frames, but how much protection they offer to the eyes. In these ozone-depleted days most of us are only too aware of what excessive sunlight can do to the skin but few of us are aware of just how much damage we risk to the eyes.

Eye cancer, age-related cataract, age-related macular degeneration, ageing and cancer of the circumocular skin, pterygium, photokeratitis - this is the gloomy roll-call of eye problems that those who flit dangerously with strong sunlight might expect.

If this sounds a bit alarmist let me refer you to the work of optical company Fabris Lane International.

"Damage to the eyes," its eminent researchers, among them Professor Richard Young of the University of California, conclude, "is cumulative and therefore it is better to wear protective sunglasses from an early age and to continue through life to wear them whenever subject to bright sunlight for extended periods."

While UVA, B and C rays are harmful, the real baddie in the solar spectrum is ultraviolet light and it is all the more dangerous for being invisible.

Cheap sunglasses bought off market stalls and in some chain stores are little more than fashion accessories - but highly dangerous ones - for some of the lenses are simply tinted and offer no protection.

Fortunately, it is usually very easy to check which glasses offer proper protection and which do not - there is now a British Standard (2724), which means that, at the very least, the eye will have basic protection.

Within that standard there are three different levels of protection - if for use just as a fashion accessory (sashaying into Joseph, lunching in Le Caprice, at Academy Awards, that sort of thing) then the lenses should transmit between 29 per cent and 100 per cent of light (meaning that the lens will get darker as the light gets darker).

Then there are sunglasses which transmit between 8 per cent and 29 per cent of daylight and these are suitable for driving in strong sunlight.

Most protection of all is offered by those which transmit only between 3 per cent and 8 per cent of light and these are not suitable for driving but are intended for skiers, mountaineers and sailors.

Ray-Bans seem to survive the ups and downs of fashion's fickle favours. If you own and wear a much loved pair you will clearly not be at the cutting-edge of fashion but you will be able to rest assured that you are wearing a classic. They have the enduring cache of pearls and Chanel.

Last year's oblong frames, most fashionably done by Cutler & Gross, are this summer, says my style-adviser, very, very square. (God's law being what it is, these will, of course, be the ones you have failed to lose.)

This year's look centres on thin metal frames, gently oval in shape which, coincidentally and happily, seem to flatter most faces. Clip-ons (even for those with 20/20 vision - they wear clip-ons over frames with

plain glass) are what the really cool set is wearing.

This is one of those splendid turns of the wheel of fashion - when clip-ons first came in they were strictly for the geriatric set, a reminder of the passing of time and the withering of age.

Now what once was naff has become big business with even some of those who normally wear contact lenses abandoning them for the summer in favour of prescription lenses and clip-ons.

Calvin Klein does clip-ons with different coloured lenses - normally £140 for the frame (currently £105 in Selfridge's summer sale) and £40 for the clip-ons. Emporio Armani, too, is rushing in vast quantities of its little metal frames and clip-on attachments.

Anglo-American is one of the great names in what the trade calls "eye-wear". Initially famous for its horn-rimmed glasses, made from zylonite and cellulose nitrate in imitation tortoise-shell, and given clout among the glamour set

when Harold Lloyd and Buster Keaton took to wearing them, they have long been established as one of the first places of call for those who would be both safe and fashionable.

Anglo-American has added proper optically-sophisticated sunglasses, including Grade 1 optical quality plastic lenses

and impact resistant organic glass, to a wide range of frames.

It has some 10 different frames with clip-ons which exactly match the frame in metal and four in acetate. Frames start at £60 and its clip-ons are £45 to £49.

If your summer is going to

include lots of energetic sporting activities then you should look out for Fabris Lane's Etalia Sports range which uses polycarbonate safety lenses of great strength.

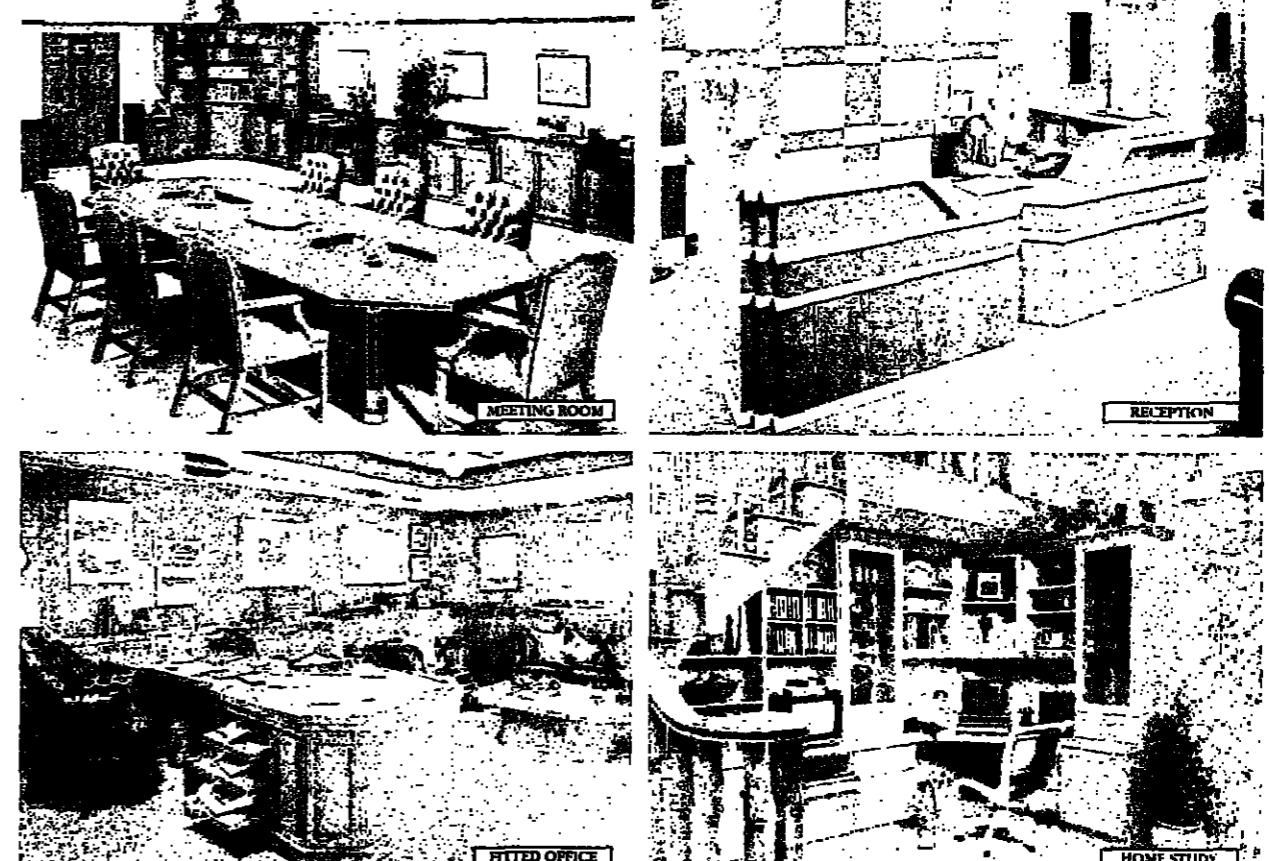
Fabris Lane also offers other specialist lenses - Advanced Graphite Driving lenses (blocks ultra-violet light completely) yet retains good visibility and polarised lenses which eliminate up to 90 per cent of the glare reflected from flat surfaces such as the sea, snow and wet roads.

Those who are unaccustomed to the kind of prices designer frames tend to attract might like to look at the Mazzucelli range. It does for sunglasses what Warehouse and Miss Selfridge do for fashion - delivers the latest designer look at a fraction of the designer price.

For just £22.50 there is pair of the slightly oval, thin metal-framed frames with good protective lenses which have all this summer's fashionable hallmarks.

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Luxottica is one of the good lens names to look out for - here Emporio Armani frames, Luxottica optics, £285 from Emporio Armani stores, Selfridges, Harrods and other good stores



The look of summer 1994 - light metal frames, blue-tinted lenses, by Oliver, £105 from David Chalow Optics, Fenwick of Bond Street, and Harrods

FOOD AND DRINK: SPAIN

The threat on France's doorstep

Jancis Robinson looks at the Spanish wine bargains available

Which country do French wine producers see as their greatest threat?

The average British wine drinker might think Australia. Her (yes, she is female) American counterpart might think north, or even south, America. But the answer is Spain.

Spain is right on France's doorstep and not only has 20 times more vineyard than Australia, and five times more than the US, but half as much again as France. Only its water shortage keeps Spain in third place as a wine producer behind France and Italy. But imagine if New World thinking were ever to prevail within Europe and allow widespread irrigation...

There is certainly no shortage of Spanish wine bargains available in Britain, although there tends to be a curious polarisation of supply:

either dirt cheap liquids carefully designed to meet British taste and price points (sic), or intensely ambitious wines which set their cap at Madrid's connoisseur class.

Ribera del Duero has provided the Madrileños with Spain's most fashionable, concentrated, well-structured reds. Vega Sicilia (Laymont & Shaw, of Truro, Cornwall) and Peñafiel (John Armit of London W11) have been the standard bearers, but producers such as Sam's Dehesa de los Canónigos are putting on the pressure.

British wine drinkers are now being treated to a much wider variety of names from this promising wine region at less exalted prices (and, it has to be said, slightly less exalted quality).

Senorio de Nava's good value wines are relatively widely available - the harmonious and powerful

1987 is £5.69 at Asda and £5.99 at Fullers wine shops, while it is possible to find the still slightly tough 1988 reduced from £5.69 to £4.99 until today at some branches of the Co-op.

The Wine Society, of Stevenage, Hertfordshire, has the rich and powerful Callejo 1989 at £6.95. Its Spanish selection is looking particularly interesting at the moment. Marqués de Alella Clásico 1993 at £4.95 is a lively, super-tinted, lemony, dry white wine made just outside Barcelona, which would make a refreshing and genuinely interesting aperitif and could withstand fierce chilling for a picnic.

The society's classically rustic

Masia Barril Típico 1991 Priorato at £7.75, on the other hand, is just the job for those with fond memories of blockbuster, old-fashioned, sun-drenched red Châteauneuf-du-Pape.

The typical Priorato red should the bottle have 13.75 per cent alcohol. This one has 15.

In many ways the rugged, slatey slopes of Priorato constitute Spain's most fascinating red wine appellation at the moment. A series of small-scale investors in Clos Thal and Clos That have made ambitious, long-term red wines which combine Catalan heritage with recognition of what the international wine collector seeks. Moreno Wines of London W2 and W3 have Clos Mogador in their exceptionally interesting Spanish range (see also their Guillelmo reds from Navarra from £4.99), but it is £7.49.

Clos Mogador probably ought not to be breached until the next century, but Clos Dofí 1990, not to my knowledge available in the UK, manages to combine the promise with current pleasure, albeit in no

more than 2,500 bottles, filled from some absolutely top quality barrels.

Clos Dofí is made by a refugee from Rioja, but Rioja has woken up from its dream of first-growth prices and can now offer the odd genuinely interesting bargain, such as Ondibes Puebles Rioja. At £2.75 this scented, full, fruity red wine is one of those new riojas that has nothing whatever to do with the archetype, being juicy rather than oaky.

Ondibes also has the more serious Palacio de la Vega Cabernet Sauvignon 1991 Navarra at £6.99. It is full, deep, with lots of oak, but very well put together. Strike before prices rise.

Today is the last day of the Co-op's offer of the appley dry and perfectly acceptable light white Galician Valle de Monterrey at £1.99, although even at the usual £2.49 it is a good buy.



Harvest home: Fonzaleche west of Logroño

Robert Harding

The great north-west seafood pilgrimage

An endless variety of fish makes Galicia Spain's seafood locker. Nicholas Woodsworth eats his way around

A good meal is more than just good food. Its enjoyment derives from many other things - the surroundings, the occasion, the company, our own mood on sitting down before a table. There are technically accomplished dinners I have had that I scarcely remember. On the other hand there are many less-than-accomplished meals - some drunken, some last-minute, some downright bad - that I recall with intense pleasure. In the end, cooking is a relative thing the success of which depends as much on the diner as on the diners.

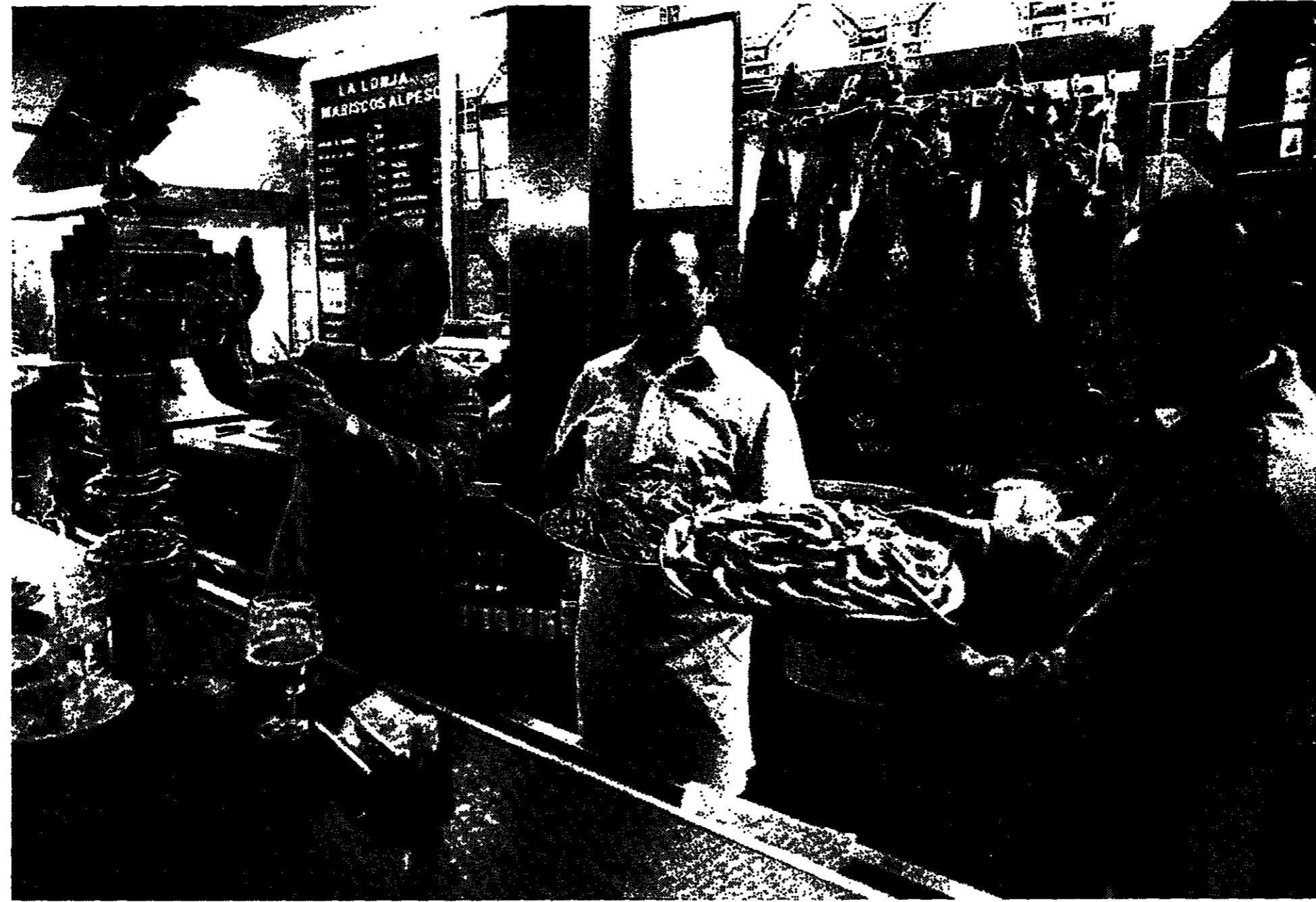
This is by way of introducing an account of some meals I had in travelling through Galicia in north-western Spain. More than anywhere else I have eaten recently, this is a place where, together, food and surroundings combine to produce meals of strong and unforgettable flavour.

Galicia - isolated, rural, and battered by Atlantic weather - has a cuisine all its own. Peasant farming in the green valleys produces a limited range of crops - untypically "northern" for Spain - such as cabbage and turnips. By contrast, the waters off the rocky and indented shoreline of its *rias*, or drowned river valleys, produce a wealth of ocean produce.

Scallops, mussels, crayfish, crabs, eels, oysters, squid, shrimp, octopus and an endless variety of fish make Galicia Spain's seafood locker. Every night special trains and fleets of trucks leave Galician ports so that next morning fresh seafood deliveries will show up everywhere from chic Madrid tapas bars to tiny Andalucian villages. Some critics rate Galicia's *rias* as the source of the best seafood in Europe.

But Galicia itself is no centre of culinary cultural refinement - in my drive from Santiago northwards through a dozen fishing ports I did not once see a restaurant that might be termed sophisticated. Wet weather puts off tourists and local underdevelopment discourages any kind of pretension. I ate on paper tablecloths in simple restaurants, often to the accompaniment of a blaring television. So much the better. What counts here is the freshness of the food and a chance to watch ordinary Galicians go their everyday way.

THE SANTIAGO MARKET
Santiago de Compostela has been the site of Europe's greatest religious pilgrimage for more than 1,000 years. Its medieval covered market is also a good place to begin a cultural pilgrimage. It is like a large shopping centre straight



Terry Humphreys

Tapas, popular all over Spain: what counts is the freshness of the food

from the middle ages - long, stone-paved alleys and row after row of arcades mimic the aisles of a modern supermarket.

But there is nothing modern here. Whole animals hang from hooks. Skinned sheep's heads stare at you. Squat, head-scarved Galician farmers' wives work with thick, field-strengthened fingers to arrange bunches of chives into precise piles on wickerwork baskets. Plastic wrapping, polystyrene, and clerks in white jackets might never have existed.

All the aisles were piled high with produce from the surrounding countryside, but my favourite was the cheese aisle, where each cheese rested sotto on straw-covered wooden racks. I bought a *queso San Simon* from a toothless, grey-haired granny in black widow's

weeds. It was a wonderful cheese - creamy coloured, large, and conical in shape. Such cheeses are much prized in Galicia - when I told the old woman that I was taking my cheese home with me I received 10 minutes of instruction on its care.

What did not last more than five minutes, though, was the fresh tum and sweet red pepper *empanada* I also bought. *Empanadas* are the Iberian version of Cornish pasties, and very popular. Downed with a glass of cool Galician apple cider, they make a delicious ticket-morning snack.

EL BOMBERO
There is nothing fancy about El Bombero, a small upstairs restaurant overlooking a narrow Santiago street. From my table I could watch three gen-

erations of family members at work in the kitchen. A small child, getting in everyone's way, played about the floor on hands and knees.

But homely restaurants make homely food, and a *caldo gallego* was just what I needed to ward off the raw air and the Atlantic rain pelting down outside. A caldo is the simplest of peasant fare, a thick soup of cabbage, potatoes, white beans and turnips in a meat broth. Its popularity is attested by the dark green cabbages seen growing high on thick stalks outside every rural house in Galicia.

The *merluza a la cazaña* or hake stew which followed is just as humble a dish, and just as delicious. Prepared in a small *arracotta* (bowl) that came to the table bubbling hot, it is a hearty marriage of Gal-

ician products from sea and shore: thick slices of hake baked in a fresh tomato sauce with peas, potatoes, onions and savory chunks of cured serrano ham. I walked out of El Bombero ready to take on any kind of weather.

SAN FRANCISCO

The roadside San Francisco restaurant, near the coastal village of Lauro, has a vast collection of key chains mounted in glass cases on the walls. It is one of the more arcane branches of collecting, and I would have preferred to see a menu. But no. The lady of the house asks you if you would like such-and-such a dish. If you would, you get it. If you would not, you get *lenguado*. She asked I had never heard of it, and shook my head. Did I want

a pitcher of *Ribeiro*? I had never heard of that either, and shook my head again. *Lenguado* and *Ribeiro* were duly produced, and in this way I enjoyed a delicious meal of sole and the local wine, a refreshing change from the heavier wines grown in hotter, sunnier parts of Spain.

PLAYA DE BALEO

It does not much matter what you take on a picnic to the Galician seaside. It is all so beautifully wild and deserted you cannot help enjoying the simplest of food. Crusty Spanish bread, savoury *chorizo* sausages, cheese, tomatoes, a bottle of *Ribeiro*; in these surroundings what more could you want? I am afraid, though, that half-a-dozen picnics on half-a-dozen glorious Galician seashores, I have become seri-

ously addicted to anchovy-stuffed olives. They are difficult to find in London.

CAMARIÑAS

There are dozens of fishing boats in the port at Camariñas. But when I arrived a heavy three-day blow meant there was nothing left in O Meu Lar, the little fish restaurant decorated with photos of the local football team and its cups and trophies.

Off then, to the local *humbergeria*, a place so unassuming that this was the only name marked on the sign outside. The conversation is loud, the laughter raucous, the sound of dominos being slapped down on tables by groups of elderly fishermen pistol-sharp. Outside seagulls scream, boats bob, and ocean waves surge over the rocks. There could be no better place to finish a seafood pilgrimage.

for its *lasagna* of black pudding, *olla gitana* (stew in the gipsy-style); veal liver and kidney with black olive sauce; and milk-fed lamb. Assume about 540 a head.

■ Finally, a little book to help you sort out your *tapas* from your *platos combinados*. The *Traveler's Food and Wine Guide to Spain and Portugal*, by Christine Boyle and Chris Nawrat, costs £5.95 from Carteley Press. Tel: 0246-860388. J.J.

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Appetisers

Hemingway did drink martinis here

hen rich and famous, Salvador Dalí, the surrealistic artist, walked the salons at Madrid's Palace Hotel leading an ocelot and surrounded by admirers.

Writer Ernest Hemingway drank his famous martinis there and film stars Orson Welles, Ava Gardner and the spy Mata Hari are among the celebrities who have slept, eaten, drunk or made love there during its 80 years.

Bullfighters would leave the front door of the Palace dressed in full costume ready for the fray. Belmonte, El Gallo Manolete... the great names of the corrida were cheered from its porches.

I did not glimpse an ocelot or a matador when visiting earlier this summer but, by way of drab compensation, the hotel was packed with Americans, Japanese and Italians in town for the festival of Madrid's patron saint, San Isidro.

It was nearly impossible to get a table in La Cupola, the

hotel's Italian restaurant, currently one of the most popular places in town for being seen. Curiously, for such a public venue, it is also where Spanish politicians meet to plot. The atmosphere is refined yet intimate and the impression is of more than lamb chops being cooked up there.

The Palace plans to host chefs for four to six-month periods from different areas of Italy to cook with Paco Rubio, the hotel's executive chef. And although it may seem odd to eat Italian food in the Spanish capital, food is available from almost every country in the world - in addition to every Spanish region.

There are splendid croissants, breads, fruits, cold meats, smoked salmon, and

compotes available and two chefs will cook, in the dining room, almost anything to order - even bacon and scrambled eggs. You can enjoy a glass of cava if you can face sparkling wine before 10am in the morning - and, it seems, just as can. Breakfast costs from £12.150.

■ Information: The Palace Hotel, Plaza de las Cortes, 200/204 Madrid, is a member of Leading Hotels of the World. Reservations can be made in the UK by dialling 0800 181 123 toll free.

Jill James

popular with the moneyed Spanish young who appreciate the wine's adaptability, especially with tapas.

For a characteristic bone-dry fino, try Lustau's Puerto Fino, around £7.25 from Gateaway, Ondibes or Thresher; or the ever-popular Tio Pepe which is sold for about £7.50 from most off-licences and supermarkets.

An alternative to fino is manzanilla, which is basically the same dry sherry which has been aged near the sea at Sanlúcar de Barrameda. To be authentic, manzanilla should have a sea-salt tang coupled with the dryness of green olives. Barbadillo, £7.25 from Moreno Wines of Paddington 071-723 6887. Olorosos are generally softer than amontillados. Oloroso means fragrant and the wines are marked by a more immedi-

ately appealing, sweet, nutty bouquet. A superb unadulterated oloroso is Apostoles from Gonzalez Byass (£15.99 from Ondibes). The best oloroso I have drunk is the finest dry oloroso vintage 1963 from Gonzalez Byass, which costs a hefty £65 at Harrods and Selfridges. Giles MacDonough

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■ A bold attempt to bring Madrid chic to a world familiar only with tapas is the restaurant Albero and Grana at 89 Sloane Avenue, London SW3. (Tel: 071-225 1048/9). Sadly, the tapas wing of the enterprise seems to flourish and the few diners in the restaurant are obliged to put up with the booming bass of the music from the bar. Albero & Grana is well worth a look, not least

TRAVEL

The Silk Road's route to a living laboratory

Few tourists presently travel Uzbekistan's part of the Silk Road - through Khiva, Bokhara and Samarkand to Tashkent. Countries ending in "stan" give off an impression of danger now, enough to deter from the poetry of the names of the road-cities.

This is a shame, for the Silk Road is not merely a parade of cultural artefacts of extraordinary beauty and power strung along a former caravan route which the Chinese pioneered to sell their unique commodity before the birth of Christ, but also a living laboratory of the retreat, and survival, of the road's latest civilisation, the Soviet one.

Khiva, from where it is best to start, is in the north-west of Uzbekistan, and is a museum. Its walled core has few inhabitants, but a waltz of madrasas (Moslem seminaries), palaces, harems and dungeons.

The Khivan khans were, according to the Soviet-era museum displays, connoisseurs of cruelty: they embedded victims in "bug pits" of scorpions and ants, impaled them on spikes, executed and strangled them, threw them from the towers of mosques and fed them alive to beasts.

On some accounts, they continued to do at least some of this until deep into this century. Gustav Kriss's marvellous, John Buchan-esque memoir, *Alone Through a Forbidden Land*, records executions by throwing from a mosque tower as late as 1920. In that year, the last of the khans left before the Bolsheviks got him and moved to Afghanistan (his son fetched up as a Soviet army general).

Most of the line of 47 khans lived inside a fortress - the Kumya Ark - within the walls, where the harem, the mint and a mosque have been restored. Finer is the Tash Khauli, or stone palace, commissioned by the 37th khan, Alakuli, who commanded to be built a palace which still dazzles with its inventiveness and colour.

In the main courtyard, the rooms for the legal wives lie along one side, next to the khan's own rooms, opposite, the rooms for the 40 non-lawful wives. Meoli Kasmaadov, a local man who did a fair job as a guide, says that "because they were on the sunny side, they often grew tired and sometimes sick - at which the Khan would throw them out".

There is little sign of a religious revival, though madrasas are being brought into new service at a great rate everywhere and Islam is close to a state religion. One of the largest madrasas has been re-cast as a hotel. The manager looks very much like Libyan leader Muammar Gadaffi, and tries to charge \$50 for a badly converted cell with a tap and a broken toilet.

In the restaurant next door, the tables were taken up with an Algerian-Russian-Uzbek crew leisurely filming what was said to be a promotional film. They stayed up much of the night for a union meeting in the hotel's forecourt, com-

plaining of bad conditions and low pay. A bar in a vault sells western drinks and cigarettes. On the stools, two young Uzbeks sat and swayed daintily to the Russian and Uzbek pop music, eyes shut.

The local children were voracious for gum or money, and threw stones at one companion who parted with neither. But a wedding procession in the mid-day heat was a showcase for a marvellous dance from an elderly man, pirouetting gravely before a young couple who walked slowly down the main street, the bride with grim face, the groom slumbering with his best man.

A little bus to get us to Bokhara bounced through the gathering dusk across the southern edge of the Kizyl Kum desert. Bokhara also has an ark (citadel), which juts up out of a leafy square, and inside is a museum of exquisitely made Korans and the apartments and courts of the caliphs whose arrogance caused all supplicants and ambassadors to approach on all fours and walk out backwards.

On the wall, a little pie chart shows that "before the revolution, the richest families in the city controlled 87 per cent of

John Lloyd on the road from Khiva through Samarkand to Tashkent

the land: the peasants, 13 per cent". The Bokhara bug-pit housed two British officers, Lt Col Charles Stoddart and Capt Arthur Connolly, in the early 1840s. They were executed when the latter refused to convert to Islam.

Our guide was a russified Uzbek woman named Zinal Ashurova who, in Bokhara's ornate-like temperatures, had the fondest memories of her time in a college in Novokuznetsk, a - to my senses - industrial hell-hole of a town in southern Siberia built round a vast steel plant. "The people there are so warm, so welcoming," she said. In the grounds of the Ark, most other sightseers were girls from outlying villages in loose dresses of brightly-coloured silk, giggly and silly before the western strangers.

Ashurova proposed an excursion to a little museum she knew "where you can try on clothes". It was, of course, a softening-up course for shopping, but more or less worth it. The museum was in a private house, preserved; Shurova described it as a millionaire's house. In fact, as I was later told, it belonged to the family of Kodia Oghli, or Kojayev, a man of wealthy family who turned communist and who in 1937 assisted the Bolsheviks to expel the emir and the bourgeoisie. Later he became first secretary of Uzbekistan, and was executed in the late 1930s by Stalin.

He told us the well-worn tale of the Russian anthropologist, Mikhail Gerasimov, who - defying the curse laid upon grave-openers - exhumed the body on the night of June 22 1941, to be told within minutes of doing so that Hitler, goaded to fury by the insult to his fellow mass murderer, had invaded the Soviet Union. But the glory of Samarkand

class traitor and were served green tea and sweets. After some time, the curator of the museum came in and showed us clothes, inviting us to try them on so that we were dressed as Uzbeks of property. Her husband, a handsome, languid man, assisted (only men can dress men in Moslem custom). The rooms were splendid. In one, a vast old gramophone declared it to have been the chamber where the women of the house danced together of an afternoon.

Taken for Jews in the street, we were led to the town's synagogue by its caretaker. It was two medium-sized rooms in a sagging house, with the prayers in large letters on the walls and the raised pulpit in the middle of the room. The tables were covered with tea bowls and little tapers. The caretaker said that 400 Jews only remained from a community of many thousands. Later, in the market, a trader who introduced himself as Jewish, said there were 2,000 Jews, but leaving fast - as from everywhere in the former Soviet Union.

In the local art gallery, a young artist named Rachman Avezov sold me an illustration, and himself guided us to the large Kalyan Mosque, and to some of the fine - but deserted - old madrasas. An Uzbek, he studied in Leningrad (as it then was) and married a Russian. His wife found Bokhara provincial and hot, and left him with their son to live in Novosibirsk in the Arctic circle; he remarried.

He fears that a revival of religion will narrow the freedom artists enjoy in a still largely secular if (comparatively) mildly despotic state. "Art has no boundaries," he said, showing me a book of avant-garde art he had just bought, in which Uzbek and Russian artists were displayed together.

"Mildly despotic" deserves an explanation. The country is run by a president, Islam Karimov, the former Communist Party first secretary, who routinely throws opposition leaders into jail. He recently sent the editor of an opposition newspaper, a man in his late 50s, to hard labour in gold mines for five years. Diplomats in Tashkent credit Karimov with being hard-working and concerned for the future of his country.

Another 300-plus kilometres of bad road, and there is Samarkand, where the mausoleum of Tamerlane - Gur Emir, the Ruler's Tomb - is being restored by lethargic workers and the guard, for about \$4, took us to the real burial vault of the tyrant under the false one he built to deter disturbers.

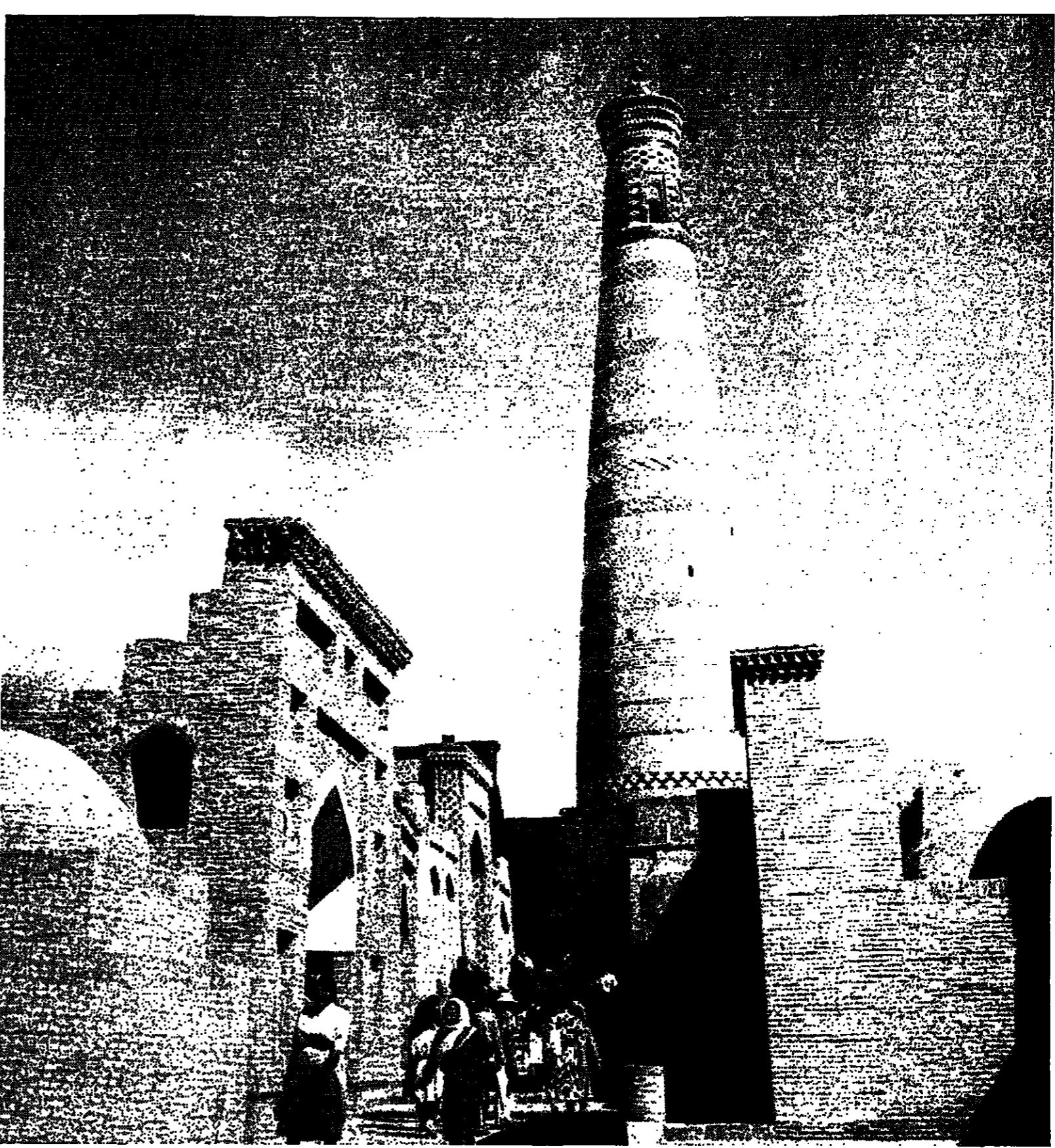
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In the squall airport, men and women humped huge sacks of fruit and vegetables; merchants with low-price delicacies were taking produce on a 3½-hour flight to Moscow. Theft from gardens is now common because of the high prices which the produce commands in the Russian markets.

In the main museum we saw a jumble of paintings, many in the Soviet realist style: strapping Uzbek cotton workers and soldiers, patient old men's faces, wooden still lives. The handicrafts, by contrast, are marvellous: embroidered *khatols* (men's gowns) which took five years of a woman's working life, in gold thread.

In the Hotel Uzbekistan, we found another wedding. The young women danced gracefully to the raucous din from the loudspeakers; the men pay them, and they give the money to the bride. To our table came a drunken waitress. A few moments before she had rudely refused to sell us tea on the obviously false grounds that there were no teapots. She sat and burst into tears, speaking a very broken German. She claimed she was ethnic German (there are many still in central Asia) and that her brother had gone to Germany while she was stuck here.

She remembered her mother, and cried. She tried to insist that we were German, anxious to claim a kinship. But, perhaps suddenly struck that she was a middle-aged waitress, drunk but well short of oblivion, in a shabby hotel bar where the Germans whose understanding she was trying to gain were barely civil and were anyway not German - she rose with a grunt and flopped off back behind her counter.



A mausoleum, mosque and minaret in the walled museum at the heart of Khiva



Ark fortress and town at Bukhara

and of the road is the Registan: a square formed on three sides by the soaring arches of madrasas, of a form and colouring (mostly restored) which define space in a way not found in Europe. Behind the vast arches of the entrances are the ribbed domes of the mosques spayed out from the central apex like tensed muscles. Inside are some of the loveliest rooms in the world, some restored and well-preserved, others neglected. In the yards, lounging young men entice you to their stall by shouting, and play the awful local pop on portable tape machines.

One last bone rattle to Tashkent. Uzbekistan's capital was wholly destroyed by a series of earthquakes in 1966 and rebuilt as a model Soviet city. It is green, with more working fountains than others of its kind, but dull, too, with no fine buildings.

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SPORT: WORLD CUP '94

Rio waits for Romário to bring home 'his' Cup

Simon Kuper on the unpredictable brilliance of one of the world's great strikers

Normally Brazil play the best football in the World Cup and get knocked out early.

This year has been different for two reasons: their defenders can defend and they have a striker who can score. Romário (da Souza Faria) has five goals in six World Cup games so far - about the average rate for his career. This league season, he scored 30 for Barcelona.

Carlos Alberto Parreira, the Brazilian coach, may never invite Romário to his birthday party, but he has decided to forget the great man's personality flaws at least until tomorrow night.

Now that Maradona has retired yet again, Romário is probably the best player in the world, but in the last World Cup his irksome character kept him from playing

more than part of one match.

This is a man who says his hobby is sleeping (14 hours a day); who informed the Dutch press that his PSV Eindhoven team-mates could not play soccer; who flies home to Rio when he feels like it, league fixtures or not; who likes nightclubs so much that he is "going to keep going out until I am 90 years old"; and who called Pelé "mentally retarded."

Romário lacks Maradona's self-destructive streak (when he goes out he neither drinks nor smokes, not even cigarettes), but he is also a good deal less sociable than the Argentine. He thought it most unreasonable that he had to sit next to his striking partner Bebeto on the plane to the US. Carlos Alberto

Parreira, a European type of coach, who recently came round to the idea of letting this man into his team.

If you are Romário you don't have to be nice to people. Bobby Robson managed him at PSV and was frequently tempted to fire him, but then the striker would appear suddenly on an overnight flight from Brazil and score a hat-trick against Ajax.

The problem at PSV was that Romário disliked Holland. He failed to understand the weather, or the Dutch habit of turning up for appointments, or the way they treat soccer stars as normal people, and he failed to charm the natives by saying things like: "In Holland I work; I live in Rio."

He was never at home in sleepy Eindhoven. Born in a Rio slum, he moved with his parents to a slightly nicer slum before becoming a star.

He does not dare visit the neighbourhoods where he grew up, but he loves driving around Rio like a madman, and when during a recent game of beach volleyball, he noticed a new building going up, he bought 10 apartments on the spot.

He came through for him again after his father was kidnapped in May. Within days, the police had found the old man.

It seems that the tip-off came from a gangster who feared that Romário's form might suffer if his father were killed. "The only way I can repay the Brazilian people,"

Romário said, "is by scoring goals and helping to win the World Cup." This, he declared, was going to be "Romário's Cup."

During it, he has been the closest

we have to a Maradona. Mark II. About the same height as the Argentine, with the same enormous chest and thighs and skinny calves, he has Maradona's sense of balance and can similarly beat multiple defenders within a few feet in the penalty area.

Romário, too, has taken to running with the ball from mid-field. He is always surprising. "If it had been a European player, he would have put it in the far corner," observed Russian 'keeper Dmitri Kharin after Romário scored against him. "But Romário is a Bra-

zilian and he put it in the near corner."

Romário's goal against Holland (he considered shaving his head before the game) was even more special.

A cross landed far too far in front of him, so he flicked himself three yards through the air and, while he was still dropping, virtually on top of the ball, hit a half-volley with the outside of his right boot into the inside side-netting of the Dutch goal.

Betting-wise, the World Cup has not proved my finest hour, writes Michael Thompson-Neal. No bookmakers have topped themselves as a result of my bets, which is always the bonus I savour most.

I got over-heated to start with;

then slowed to a crawl and was

finally flattened by quiescence at the sight of Brazil's shrinking odds. In short: bad strategy,

poor money management, and

loss of nerve.

I started too excitedly, backing Colombia and Argentina, then Romania, Nigeria and Germany, and eventually Bulgaria - six squads of shirt-lifters. Between them, these astrological predictions cost me £308 (including tax).

The only sensible bet I made all month was £60 Brazil to win the World Cup at 5-1, which was the best price you could find. It was the best price you could find in London on June 17. Italy were 6-1 that day, but I have never backed Italy in my life. On the other hand, the bookies were offering half odds if teams reached the final, so there must be thousands of Italians already showing a huge collective profit.

This is what attracted me to Romania of 33-1 after they trounced Colombia. Romania - I divined - were a team from the 21st century; pity about their penalty-taking.

As the tournament progressed and Brazil looked far from convincing, I stared in horror at their rapidly-shrinking price. This was my big mistake.

There is a streak of shrewdness in my character which at times mutates into a bulging vein of vulgarity. Among other things, this makes me a contra-bettor. I disdain sensibly-priced favourites such as Brazil and instead bet on flashy outsiders such as Nigeria, Romania and Bulgaria.

As things stand, I will lose £134 even if Brazil win tomorrow. So yesterday I rang the wretched bookies, looking for a bet.

I started with the rascals at Ladbrokes, which calls itself, smugly, the biggest bookmaker in the solar system. Brazil, said Ladbrokes, are now 8-15 to win the cup, and Italy 11-8. This is no help to me. I never bet odds-on.

So I questioned the rascals severely. I asked them what the odds were against Brazil beating Italy 4-1, as they did in the World Cup final in 1970. Answer: 40-1. Brazil to win by 10 goals to nil? Answer: 100-1. These odds are inhumanly cramped. I would rather buy blood from a vampire. But I believe I have no choice. With a mighty smirk and swagger, I will today bet £20 on a 4-1 Brazilian win and £20 on a 10-0 pasting. I mean, Italy?

Losing wagers litter path to final

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Coaches ponder their final teams

The jobs of Carlos Alberto Parreira and Arrigo Sacchi are on the line tomorrow, writes Peter Berlin

 When their team was announced before the semi-final against Sweden, Brazilian fans in the stadium greeted every name with a roar - all names but the last one. They gave coach Carlos Alberto Parreira the bird.

One of the oddities of this World Cup is that the coaches of both finalists could be fired. In part this reflects the whole tournament: lots of great games, no great teams.

Brazil's fans yearn for more *fantasia* than Parreira has been able to provide. He did not invent the five-man back line that Brazil have used, but in this World Cup the formation has suddenly looked terribly defensive.

Part of the blame lies with the players Parreira has. The three central defenders are all good, old-fashioned centre-halves: quick, strong and athletic and, as with all Brazilians, comfortable on the ball. But they are unwilling to burst forward.

On the rare occasions that Mauro Silva has joined the attack he has not made a telling contribution. In front of the centre-backs sits Dunga, the best defensive mid-field player in the competition.

He, too, is slow to commit himself to attack.

Often when Brazil are attacking, four or five of their players loiter at the half-way line marking one opposing striker. Memories of last summer's defensive collapse against Germany in a friendly in Washington DC still linger.

The Brazilian approach depends on the attacking abilities of the wing-backs and mid-field players. The suspension of Leonardo has been a severe blow. His replacement, Branco, is a menace at free kicks but lacks the pace and stamina to pose a consistent threat to the opposing full-backs.

The attacking mid-field men have disappointed. Mazzino and Zinho have been patchy, Rai pedestrian. Perhaps the coach will give in to the Brazilian president, fans (and

to memories of Pelé) and pick the 17-year-old wonder-child Ronaldinho.

Brazil have had difficulty breaking down defences. Their passing and movement off the ball remain pleasing to watch, but often lack thrust.

They have been most dangerous on the rapid counter, when a long ball from defence finds Bebeto and Romário facing just two or three defenders, with the whole opposing half to move in. These two have demonstrated time after time how dangerous two attackers hunting as a pair can be.

Nevertheless, the Brazilians probably hope they face the industrious but goal-shy Casiraghi rather than the speedy, sharp-shooting alternatives: Giuseppe Signori and Daniele Massaro. The Brazilian solution will be to defend in numbers.

Italy, too, will be obsessed with the goal-shy Casiraghi rather than the speedy, sharp-shooting alternatives: Giuseppe Signori and Daniele Massaro. The Brazilian solution will be to defend in numbers.

Or will it be the team that surrendered after Spain equalised in the quarter-final, spent 20 minutes in an abject defensive crouch and were rescued only by goalkeeper Gianluca Pagliuca's fortuitous save

The only people who do not have happy memories of the 1970 World Cup final, when Brazil produced a virtuous display, are Italians. They lost 4-1.

But if the attitude of the Italian team in earlier rounds of this World Cup is a guide, they will be glad that they face Brazil tomorrow and not Sweden - not because they desire revenge, but because they want an opponent they can lose without losing face.

But which Italian side will show up? Will it be the confident side that took on Bulgaria for 20 minutes in the first half of their semi-final, producing the best passage of sustained attacking play in the tournament?

Or will it be the team that surrendered after Spain equalised in the quarter-final, spent 20 minutes in an abject defensive crouch and were rescued only by goalkeeper Gianluca Pagliuca's fortuitous save

against Julio Salinas and by Roberto Baggio's off-side goal immediately afterwards?

Italy's progress to the final has not stalled coach Arrigo Sacchi's army of critics. Some dislike his English-style tactics; others his endless tinkering with the team - Sacchi as he searches for 11 who will conform to his plan. Some object to him on political grounds: he is Berlusconi's protege.

It is easy to second-guess Sacchi's squad selection. Roberto Donadoni is the only genuine wide player and, canny, skilful and tough as he is, Donadoni now lacks the pace to beat defenders on the outside. Only Roberto Masi, a full-back, and Giuseppe Signori, playing out of position, have consistently found good crossing positions, though, like everyone in this World Cup, they have had trouble crossing well.

Critics argue that it is no accident that Italy have earned the nickname of "Cardiac Kids," winning twice with 10 men. Only when they have a player sent off can they safely shake off Sacchi's tactics, it appears.

Yet against Bulgaria, Sacchi's thinking paid off. The Italians applied relentless pressure to the ball carrier. Two or three blue shirts would harry every Bulgarian. The Bulgarians tried switching the ball back and forth across the field, away from the crowds of Italians, yet could never escape. They were pinned in their half. Italy seemed to have more men on the field.

The Bulgarians like to move out of

defence with quick short passes, which should provide the Italians with chances to regain the ball quickly in the most dangerous area, as the Dutch did in the later stages of their match against Brazil. It also means that Italy could spend an exhausting afternoon in the heat chasing shadows.

Since the injury to Franco Baresi, who showed his age against Ireland, the Italian defence has been impressively solid. Yes, they occasionally look shaky when players run at them, as Bebeto and Romário will, but so does any defence. Now they will be without Sandro Costacurta, and, unless Fifa has an uncharacteristic change of heart, Mauro Tassotti. If this means a return for Baresi, who had knee surgery on June 19, the Brazilian strikers will be eager to test him out.

Sacchi's squad is showing signs of wear. Baggio tweaked a hamstring against Bulgaria. With three days rest, he should be able to start, but he will know that if he extends himself the hamstring could pop again at any time.

Pierluigi Casiraghi showed signs of cramp after barely an hour of his first World Cup start. That may be because he has hardly played for a month or, more likely, because the 90° heat on Wednesday and over the last month has taken a toll on the best-rested players.

But the key for the Italians lies not in their legs but in their heads. If their nerve and luck hold, they are capable of avenging 1970.

Secure in the knowledge that you will never qualify any other way. Not, as the power-that-be should know, that it is anything other than a temporary addiction.

Two forms of journalism probably constitute hell on earth - covering the White House full time and only writing about sports - but an intermittent binge on one or the other has a curiously restorative effect.

So, if you want me after Pasadena, I'll be in Camden Yards in Baltimore watching Cal and the Orioles, or around the White House observing Bill and Hillary fend off, or not, sliding tackles from man Bob and the God squad's back four. For this alone, the World Cup deserves thanks.

You know the rest, or will by tomorrow night.

Confessions of a temporary sports writer

Continued from Page 1

World Cup, runs for the senate from California, a Democrat (he probably will not have the time); or if a class action suit against adidas is possible for offences to fashion (goalkeeping jerseys are now universally disgusting. At least Jorge Campos, the Mexican macaw, designs his own).

It is right. Having only the most marginal of stakes in the outcome to supporters of all the 34 qualifying teams and may even be antithetical to the whole ethos of all sports, but it was passed on by one veteran English soccer writer in a quiet passage of the Norway-Mexico game (ie, the first 85 minutes).

To avoid being lynched on his return, his identity must be protected, but what he said was something like: "It's wonderful England

aren't playing. I don't have to write about the bloody players, I don't have to write about the bloody fans, I can sit back and enjoy the game and then I can write about what I actually saw." (One of his colleagues, he said, was assigned to Ireland, the Anglo substitute.)

Some gentler observations are possible. One will be heretical to supporters of all the 34 qualifying teams and may even be antithetical to the whole ethos of all sports, but it was passed on by one veteran English soccer writer in a quiet passage of the Norway-Mexico game (ie, the first 85 minutes).

There seems a joyful instinctiveness to close order Brazilian passing that is as rhythmic as a samba but is offset by an anarchic disregard for authority. There is a fierce

ness about the Bulgarian Stoichkov and the Romanian Hagi that reflects their Balkan heritage, but also a creativity and leadership that bespeak hope, unfortunately still rather confined to the football field.

There was an ultimate sadness to the performances of Nigeria and Cameroon - so much talent, so little direction, that cannot entirely be divorced in the mind's eye from Africa's consuming problems. And if the Irish were just honest plodders, what else is new?

Whole teams can be viewed either with dispassion or through the filter of presumed national characteristics, or a bit of both.

There seems a joyful instinctiveness to close order Brazilian passing that is as rhythmic as a samba but is offset by an anarchic disregard for authority. There is a fierce

Pelé and Maradona at their most

magical, and Bobby Thomson's immortal homer of 1953, or Desert Orchid's last great race.

Like a birdie on the 18th hole after a round of rubbish, it was the sort of moment that keeps you wanting to play or watch again and again, even a third division match on a wet Wednesday in Preston.

Honesty also requires a final confession: there is something about this sports writing which is a bit of a giggle. You can get away with free association, clichés and flights of fancy, all of which are ruthlessly - and usually correctly - excised from just about every other form

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Enough to make a beginner blush: The frustration of inconsistency - 75 on Thursday, 66 on Friday - explains why Faldo looks so miserable these days



PA/PA Wire

Golf/Derek Lawrenson

Faldo struggles to assert his rights

Can the old guard be seen handing over to the new at the Open championship at Turnberry?

It was all so simple a few years ago. If the Open was held in Scotland then the winner would be Nick Faldo. It happened in 1987 at Muirfield, at St Andrews in 1990, and again at Muirfield two years ago.

Faldo's right to be considered the dominant player of the age was made in Scotland. It was to Scotland he came last week to assert that right once more.

He faced the most onerous task. The imperious aura with which he surrounded himself at the start of the decade has evaporated and the lesson of the past is that once gone, it rarely returns.

Think of Tom Watson, winner of five Opens between 1977 and 1984, but none since. Think of Arnold Palmer, who won all his eight major championships in a similarly bountiful six-year period.

Faldo also won two Masters in his five-year span of mastery that began in 1987 but what was also significant was the number of other opportunities that he gave himself to win.

From 1988 to 1992, Faldo never finished outside the top 20 in any major championship. Last year, he challenged Greg Norman every step of the way at Sandwich, before eventually settling for runner-up spot, and again at the USPGA championship, where he finished third.

But the old consistency was missing for the first time, with poor perfor-

mances at the Masters where he finished 38th, and the US Open, where he tied for 72nd place. This year, it is that trend that has continued.

Last month, Faldo missed the cut in the US Open, the first time he had suffered such ignominy in 28 major championships. He had gone to the event a week before it had been due to start - for this is the event, above all others, that he would most like to win.

That rude awakening, though, was nothing to what happened to Faldo on the first day here at Turnberry.

We all know Faldo's characteristics: examine every detail; leave nothing to chance. Faldo's first task for his caddie, Fanny Sunesson, after appointing her, was to send her to Florida for a fortnight to learn about his swing from his coach, David Leadbetter.

Faldo would be the last player, then, who you would expect to play a wrong ball, yet that is what he did on the 17th hole in the first round.

After hitting his drive into the rough, he did not even check the ball's markings: he just went up to it, and hit it. It was the sort of error that would make a beginner blush, let alone the man whose philosophy towards the game is dictated by its meticulousness.

Faldo's 75 was the worst he has scored in an Open in relation to par since the last time the championship was played here in 1986.

Faldo's playing partner in the first



PA/PA Wire

two rounds was Ernie Els, and it was hard not to think of this as a meeting between the old guard and the new.

It was the first time they had played together since the young South African's win in the US Open.

Els is just 24; Faldo will be 37 on Monday. Faldo is strong but Els stronger. At times at Turnberry on Thursday the latter was out-driving the for-

mer by 40 yards. While Faldo went through all his fidgety routines, Els just stood up to the ball and hit it. Where Faldo was plagued by hesitancy and self-doubt on the greens, Els suffered no such problems.

Faldo believes his swing is better now than when he was lapping the field, but the results sheet betrays his remarks. At least it did until yester-

day, when a second-round 66 deflected some of the anguish and was three shots better than his partner Els could manage.

For such a proud, intense man, the frustration of such inconsistency must be horrific and fully explains why he looks so miserable these days. His expression hardly changed at Turnberry - just this side of manic depression.

It was hard not to come to the conclusion that the only thing Faldo has left on Els is experience and increasingly that it would prove no protection at all.

The mechanical nature of Faldo's swing contrasted sharply with Els's natural rhythm. Many believe that Faldo would be better off if he had six months away from the man he calls "Lead", his coach Leadbetter, whom he seems to consult about everything. A time to be Lead-free perhaps?

Faldo was left to battle against missing the cut for the first time in an Open, which was hardly the contest he had in mind at the start of the event.

With yesterday's 66, Faldo at least has a platform. But what a critical weekend this is for him, and the odds are against the restoration of his pre-eminence. Indeed, as he and Els shook hands on the 18th yesterday it was hard not to see the symbolism in this gesture.

A handshake to signal the exchange of power?

Sailing/Keith Wheatley

C stands for seaworthy

Keith Wheatley draws up his own guide to top sailing events

Something about the letter C appears to have seized hold of the sailing world - Cork Week, Commodore's Cup, Cowes Week - and they all take place this month.

The letter C is about all these events have in common, however, marvellous though each of them is.

CORK WEEK
Cork Week has been described as "a party with yachts". The organisers promise in the Notice of Race that no competition afloat should take more than about three hours, thus leaving ample time for the festivities to reconvene in the marquee ashore.

In spite of its grand and authentic claim to be the world's oldest yacht club, the Royal Cork promotes Cork Week with almost teenage zest. The grounds of the RCYC, above the harbour at Crosshaven, are turned into a tented village with bars, shops and restaurants.

Nearly 400 boats turned up to race this week in 10 classes, making the Irish regatta one of Europe's largest, second only to Cowes in the number of entries.

The heave and light airs were a marked contrast to 1992 (the event is bi-annual) when rain and gales lashed down, requiring even more inner fortification.

Such conditions can be disastrous for the big racing machines that even their opponents want to see at full blast. Yachts such as Richard Mathews' ex-American's Cup 12-metre *Crusader*, the Swan yacht *Highland Fling VII* (Irving Laidlaw) and *Desperado* (Richard Loftus) had to wriggle through big packs of smaller boats. Only the latter found enough of a lead to save its handicap.

Laidlaw has been a keen and successful competitor at the regular Swan regattas around Europe and has persuaded the Finnish yard to build him the first fractionally-rigged Swan in *Highland Fling VII*.

Success on the water - two wins in the first three days - indicates that other racing owners may soon be calling on Swan to vary the previously obligatory masthead rig.

Laidlaw's new boat made *Desperado*, 10ft longer and theoretically faster on handicap, look pedestrian.

THE COMMODORE'S CUP
The Royal Ocean Racing Club created the inaugural Rolex Commodore's Cup two years ago. Its function was to let owners of non-Grand Prix production yachts compete for their country in an international competition.

There was a widespread feeling that the Admiral's Cup had become an entirely professional event, with oblivion and penury likely for amateur competitors.

However, rivalry for places in the Commodore's Cup national teams has been so intense that one skipper suggested United Nations intervention.

Of the nine nations competing, the US and Germany are bringing two three-boat teams. And the American crew whose *Mumm 36 Pigs in Space* was held to ransom in a Merseyside wharf dispute can confirm that dock strikes are not a slice of history.

Officially, England has but one team when racing begins on Wednesday. However, the Jersey team consists largely of top British big-boat sailors anxious to avoid the knife-fight of the selection process.

Graham Walker's crack *Indulgence* heads the Channel Islands' effort, with the interesting *Tram* in support. In her initial guise of an IOR one-tonner, *Tram* was better known as the King of Norway's yacht *Tram XI*, sunk so spectacularly last year by Harold Cadmore during the Admiral's Cup.

Also competing is a Welsh team. A trio of yachts, *Eagle*, *Integrity* and *Shogun*, that just missed the England-B. RORC polled the field but only England-A objected. So the owners scoured Welsh sailing clubs to make up a requisite 30 per cent crew on each boat of the appropriate nationality.

Sheep carried as ballast were ruled not to count.

COWES WEEK
As usual with Cowes Week, beginning on July 30, the sailing will be excellent while the onshore muddle continues. Unfortunately, good on-the-water organisation is expensive. Without sponsorship, entry fees for an average 32ft yacht might rise from £200 to £750.

This year's fairy godmother seemed to have arrived in the form of the Japanese-owned Aquascutum clothing company.

But then at Easter, when the £100,000 sponsorship deal was close to completion, Aquascutum's advisers discovered that Cowes Combined Club had sold the Japanese rights in the name Cowes Week a decade ago.

Lawyers began combing Greater Tokyo for the Mr Yamaguchi who owns the trademark purchased in perpetuity, it seems, for the princely sum of £1,000.

However, in the nick of time the taxpayer rode to the rescue. Medina borough council came up with a £100,000 financial package to support Cowes Week. MBC said in its announcement that the regatta brought in £5m to the island during the eight-day event, in a struggling local economy where 25 per cent of jobs depended on tourism.

Residents steeped in local government cynicism observed that since the council was shortly to disappear in a reorganisation that will bring a unitary authority to the Isle of Wight, the grant to the yachting might be seen as a last carefree fling with the chequebook by councillors who will not have to go back and face the electorate.

Motoring/Stuart Marshall

Topless in country lanes

For the past few summers in south-east England, there have only been two kinds of car: those with air-conditioning or the others in which you feel sticky and uncomfortable, especially in motorway jams.

But what about convertibles, you ask. Certainly, they are an alternative, although I am not sure sitting in the sun for several hours at a time is a good idea. The rush of wind masks the heat and makes you forget the risks of over-exposure. For these reasons, convertibles are none too popular in really hot countries.

Still, I have to admit that driving topless through English lanes on a moderately hot day can be very pleasant.

You savour the smells of the countryside (well, some of them; others are best avoided) and feel more in touch with your surroundings. Just remember to cover your head and use sun block on the deck.

Not for years has there been such a wide choice of convertibles

It does not lie quite flat - as it does in the delicious but far costlier (£17,700) Peugeot 306 convertible - but an easily-attached loose cover, which lives in the rather pokey little boot, makes an open Cabrio look neat. The rear seats are habitable by two average adults.

The Cabrio is not just a fair-weather car, either: the three-layer hood fits snugly when up, although the flexible rear window has no demister.

But it is not quite as light inside as a larger-windowed three-door Punto hatchback.

Power steering, engine immobiliser, fuel-flow stop valve and electric front windows are standard. Radio controls are built into the steering wheel, unless you decide to have a driver's-side airbag as an optional extra.

The five-speed gearbox shifts easily and the Cabrio feels quite lively. Fiat claims a top speed of 105mph (170kph) and says a kilometre is covered in 34 seconds from a standing start. Fuel consumption should be 33mpg (8.56 l/100km).

Two other versions of the Punto that also are new to Britain are the 55 EL six-speed and the 60 SX Selecta. The Selecta has a continuously variable transmission which provides the easy driving bene-



fits of a conventional automatic without its cost and complication. Price: £8,449.

As for the 55 EL it is really an Italian market special. There, newly-qualified drivers are, very sensibly, restricted to cars with a low power-to-weight ratio. The idea of the 55 EL six-speed is that it allows them to stir the gear lever and indulge their fantasies without breaking laws or going too quickly.

There is no such law in Britain, although the insurance industry exerts a moderating influence. But I did not much like the 55 EL, not least because it is geared lower in sixth than the normal 55 in

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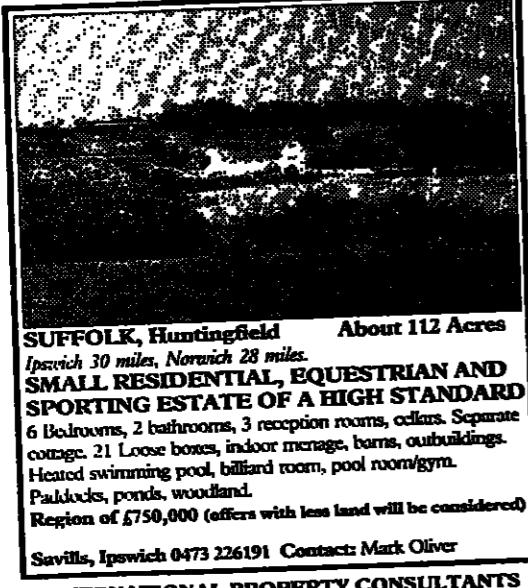
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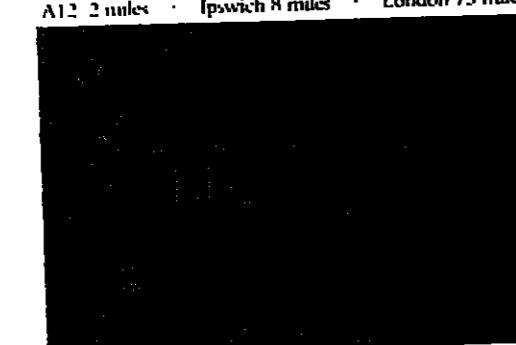
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When home is just a short iron away

So golf is your religion and heaven is living near your local course? Gerald Cadogan examines the possibilities

Keen golfers moving house always want to know about the nearest course and how good it is. It follows that the best way to find out is for them to take their clubs and play 18 holes - as an essential part of househunting.

As they watch the 123rd Open championship at Turnberry in south-west Scotland this weekend, they can dream of owning a house within a chipping wedge of any of the venues where the Open is played. Or any course, for that matter.

A more costly option is actually to buy a working course, or acquire a greenfield site with planning permission for a course and develop it. Those with real money might even like to buy a house with its own private course.

Agent Roger Pryor, of Strutt &

Parker, says the market for working courses has stabilised following the property boom of 1988-89 and the subsequent fall.

As for new courses, planning applications in the south-east were, by 1993, more than 60 per cent down from their peak in 1990-91 - but 46 per cent of these were granted, compared with 25 per cent in 1991.

The change has come about because land-owners, developers and local planners have become stricter in assessing the earnings potential of a course and its impact on the community and environment. The banks, which lost large amounts in funding grants-in-scheme, are more circumspect too.

Today, planning permission for a golf course does not provide an automatic premium over agricultural value, says Jim Bryant, of Bidwells' leisure team. Gone are the 1988-89 days of £15,000 an acre.

Pryor agrees. Only prime sites are likely to achieve a top premium of £1,000 an acre - which equates to a total price per acre of about £3,000.

That sort of figure is reflected in the £250,000 being asked by Savills of Bambury for a 12-acre site with permission for an 18-hole pay-and-play course at Cadmire End, near High Wycombe in Buckinghamshire.

Strutt & Parker estimates that, at the end of 1993, there were 18-hole courses for every 15,529 people in south-east England (if those with planning consent are included).

This is half the pre-1989 ratio of one existing course for every 31,555 people but, says the agent, not all the consents will be taken up.

County ratios vary widely. Oxfordshire offers one course for every 21,267 people, Buckinghamshire 1:10,230 and Surrey 1:9,550 (using the total of existing and agreed courses).

Developing a greenfield site can cost up to £1m, depending on the design and terrain. But it could be two years before members join and the cash starts to come in.

At Cadmire End, the estimate for development costs is between £200,000 and £250,000 (to include a 4,000 sq ft clubhouse). In the first full year, the agent expects 35,000 rounds at, say, £10 apiece on weekdays and £15 at the weekend, plus club fees for 850 members. (At many courses, non-members can pay well over £20 a round.)

For two similar sites - beside the A27 at Lancing in West Sussex, and at Welton near Lincoln - Clegg Kennedy Drew is waiting for buyers to suggest a price. In Devon, though, a site on the Kingsbridge estuary - now a farm with a five-bedroom house - is on offer through Stags at £35,000.

According to Tom Marriott, of Humber Leisure, pay-and-play courses and commercial clubs are taking over from the traditional private member clubs. Ten years ago, they made up only 10-20 per cent of all courses; now, Marriott estimates,

they total 30-40 per cent. He says most courses appear to be trading reasonably; only a few are put on the market by owners.

If the course operates on a leasehold - as many do - the ground rent and its review date are important factors for potential buyers (£300-£400 an acre is the figure now, says Bryant). One working leasehold course, on offer from Humberts or the Glasgow agent Ryden, is Brunston Castle near Turnberry. It was designed by Donald Steel around the Water of Girvan that flows through the middle, with space for houses, chalets and a hotel. Offers of more than £1m are invited.

For £900,000, Humberts is also selling the Mid-Dorset club in lovely downlands at Blandford Forum (its thatched farmhouse is extra) and (with Strutt & Parker) is asking £1.75m for Woodbury Park near Exeter, with 27 holes. Designed by

Hamilton Stutt of Turnberry fame, it has been working on a pay-and-play basis and still awaits a proper clubhouse - perhaps even a hotel.

So you would like a house adjoining a fairway? One such is Little Mingary, by the 18th at Worplesdon in Surrey (Browns, £400,000). Then there is Gullane from Rettie, offers over £265,000 by the 1st at the famous Muirfield course outside Edinburgh which celebrated its 250th anniversary last weekend.

A little further north is an apartment at Glencairn, site of the recent Scottish Open (Bidwells, £180,000), and Broomfield, a substantial Edwardian house on Golf Course Road leading to the Rosemount course in Perthshire (Savills in Brechin, offers over £390,000).

Chittens in Ayr has a few houses well placed for the Turnberry, West Kilbride and Royal Troon courses at

prices from £265,000 to £250,000 - quite cheap by southern standards.

In Surrey, apartments for sale between £190,000 and £250,000 on the Pyrford course include lifetime membership of the club. Curchods is the agent. John D. Wood offers two houses in Coombe Park, Kingston upon Thames, beside the Coombe Hill course, for £355,000 or £280,000.

The ultimate must be a course of your own, as at Sundial House near Farnham, Surrey. Apart from its nine holes, the owners have built a go-kart track in 13.5 acres. Offers over £200,000 are sought (down from over £200,000) through Hamptons or Knight Frank & Rutley. Another with its own course is Great Swifts at Cranbrook, Kent, a 1930s' Georgian-style mansion for which Lance Fox set a guide price of £350,000. Offers came in at more than £1m.

Finally, an agent near Turnberry said this week: "The whole of south

Ayrshire is off on holiday." That is because householders who are prepared to surrender their four-bedroom homes to Open competitors or fans can demand £2,000-£3,000 for a nine-day let. And if the house is really big, they can charge well over £1,000 a day.

■ Bidwells, Perth (0738-530 668);

Browns, Guildford (0463-311 68);

Clegg, Kennedy, Drew, London (017-499 1944) and Stamford (0780-527 88); Cullotons, Ayr (0292-263 181);

Curchods, West Byfleet (0332-350 0111);

Hamptons, Farnham (0232-714 164);

Humber Leisure, London (071-629 6700).

Knight Frank & Rutley, Guildford (0493-651 71); Rettie, Edinburgh (031-220 4160); Ryden, Glasgow (041-204 3838); Savills, Banbury (0295-263 535) and Brechin (0356-622 187); Stags, Totnes (0803-565 454);

Strutt & Parker, Exeter (0392-215 631); John D. Wood, Wimbledon (081-944 7172).

Where everyone is on holiday: Turnberry, venue of this weekend's Open

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OUTDOORS

Beekeeping/Gerry Northam Fagin and his raiders

This is the time of year when I start to feel like Fagin, sending my young apprentices on raids all over town, and rubbing my hands as they return to the den with their spoils.

The hives are filling up with honey as my thousands upon thousands of little Artful Dodgers and Olivia Twists fly back and forth across a three-mile radius sucking nectar from flowers and race back to share it (if unwittingly) with me.

The speed with which they work is breathtaking. Three weeks ago, before the main nectar flow, I added a light-weight cedar box to the top storey of each hive, filled with empty frames to hold the honeycomb.

Today, I find it a struggle to lift, weighed down as it is with the dense pale honeys from various flowers which have been crammed into it.

They are fairly well mixed, but you can find pockets of particular flavours, the best of them, to my taste, being the delicate nutty sweetness of the hawthorn.

The making of honeycomb is as fascinating as the filling of it and is proving particularly poignant to watch this year against the backdrop of a nine-acre building site which we now overlook from our garden.

Huge stores of stone, wood, and tile have been trucked on to the former school grounds, while inside the hives, with no fuss, no materials and no machinery, the bees are building too.

Beginning with the empty wooden frames, the apian workers first find a true vertical by making a plumb-line of their own bodies.

They have had an instinct for doing this in holes and hollow trees for millions of years.

Twenty or so of them hang in a chain holding leg to leg while the wax-makers and labourers move in to begin construction.

Cell by cell the hexagonal structure is created in symme-

try, on either side like a mirror-image until it perfectly fills the frame, each cell smoothed and polished just a fraction longer than a worker bee and built sloping upwards at a few degrees to the horizontal to keep the honey from dripping out.

For added strength, the pattern of cells is offset so that the centres of the hexagons on one side key the corners on the other.

Using nothing but their own secretions, the workers build enough comb in a week to hold 35lbs of honey - many times their total body weight.

As a collective display of skill, it must rival building Manhattan out of your own eyelashes. The bees approach this project with such dedication that it is usually safe to lift the roof to watch them at work and wonder how each tiny brain can possibly hold so much instinct.

They do not disturb easily, since time is short in the weeks of the honey-flow and the colony's survival in the coming year will depend on building sufficient stores. The mood of their energetic buzzing is now diligent rather than aggressive.

If they do seem tetchy on first opening the hive, it may mean that they are agitated about running short of space to build yet more honeycomb, which they recognise as a dangerous condition. The wise apistar will take care to recognise this too, before rioting breaks out.

Once filled, each hexagonal cell is capped with a thin air-tight lid of wax to preserve the honey for the winter.

But it is at this moment that Fagin robs his own apprentices of their bounty.

There are reports of sealed honey lasting for years - even centuries - in perfect condition.

I rely on printed wisdom for that, since in our house we are lucky if a piece of honeycomb lasts a week before it is perfectly gone.

Every year, I vow to go to look, not to shop, and I end up lop-sided with bags of plants. Last weekend, the crowds poured into the Hampton Court Flower Show; marvellous rubbish was changing hands in the craft village; wooden trellis was being booked up by the 100 metres; after two hours, most of us thought of joining the stand called Glazed Additions because it matched the look on our faces.

Remember that the British like shopping somewhere other than the high street. At horse shows, they want to buy suede and leather; at dog shows, I have seen them buying carpet; at flower shows, they will buy anything in frames or blue and white number-plates to give a French look to the front of the house.

Hampton Court strives hard to show flowers under canvas and, this year, the sweet peas, half-hardy perennials and the border plants from Bressingham were up to Chelsea standards.

But if anyone thinks that it is the new Chelsea of the future, they are horrifically impoverished.

There were some brave exceptions but the sponsored theme tent for international gardens led to the inevitable attempt to do too much in a too small, publicity-centred space: how could anyone believe that they were being shown the essential art of Italy and its great former garden at La Mortola in a confined space under canvas, even allowing for the awkward fact that its Italian committee of university inheritors are widely agreed to have ruined the style of La Mortola and its English origins anyway?

The Royal Horticultural Society has taken the Hampton show under its care after previous confusions in the partnership with Network SouthEast. The nursery exhibits seldom have the scale or combined impact of Chelsea's main tent and the outdoor gardens are on the lower end of Chelsea's very low scale.

The supreme distinction of Hampton Court is the scope for shopping. I fear that it may dent Chelsea - but only because it occupies different ground. Once you allow the public to shop on it, they will career downmarket like Gadarene swine. As Gadarene as the best of them, I think I have avoided pigs in a poke.

The fact is that after five years of bagging and buying at Hampton Court, my garden wears a new look. It is at this show that I really appreciate the strength and hardness of its Little Princess forms, which flower at a height of about a foot, last for weeks and have the exquisite markings which you find on their cousins in florists' shops.

Many gardeners rightly hate novelties and mini-plants but I do urge you to try these splendid innovations where you have a sunny bed and a light, open soil. They are extremely easy, although they disappear below ground in late autumn. I doubt if half-hearted gardeners could kill them.

Dodging the conservatories and wrought iron, I always head for the conservation tent, where the plants are more unusual and the crowds are less frantic. Here, too, I have struck gold.

The best exhibits are backed by the National Conservation of Plants and Gardens Collections, which aims to conserve a wide range of varieties in major families of use to the gardener. This year's exhibit of the new Day Lilies made me wonder whether anyone will



The sky-blue Glore de Versailles Ceanothus will grow anywhere on well-drained soil

Archie London

Where have all the shops gone?

... gone to flower shows every one. When will they ever learn? asks Robin Lane Fox

... gone to flower shows every one. When will they ever learn? asks Robin Lane Fox

conserve most of them in 50 years.

Much of the breeding seems to be stuck with the search for ever-hotter colours and smaller stems: the orange-yellow Stella D'Or has turned out to be a shocker, as many of us verified when walking past the rather dreary plantings in the gardens of Hampton Court Palace

has shown no serious loss. Each spring, pruning should be light. Impatient gardeners would love it as a filling between slower plants in a new garden wherever there is warmth and shelter.

At Hampton, I feel more in the mood for Ceanothus than at Chelsea, when their season is not far advanced. Specialists allow us to compare a wide range, some of them new from west America or the Antipodes. They are also prepared to discuss the difficult question of hardiness, the fact which rules itself.

However, the pale yellow Giant Moon has real class and I am glad of its cool colour and vigour in the front to middle row of a border. I made positive notes on Michelle Coe, a tall, pale peach, and Chicago Picotee Pride, both of which are in softer colours than many of the newest breaks.

The moral of all this study is that we should never risk buying a new Day Lily blind: the strength of colouring can be most misleading. The effort to find the best is worthwhile because these plants really do brighten up our beds and last for years without attention.

I rank them second only to my essential answer to gardening without effort in shade or any difficult soil: the matchless Geranium endressii.

Hampton Court has also alerted me to a new trick the special merit of the new Wageningen variety, the flowers of which are a particularly clear and strong pink. If you have a choice, opt for it first.

At Hampton, I feel more in the mood for Ceanothus than at Chelsea, when their season is not far advanced. Specialists allow us to compare a wide range, some of them new from west America or the Antipodes. They are also prepared to discuss the difficult question of hardiness, the fact which rules itself.

Lastly, the return of an old favourite. Our grandfathers grew lots of the tall, lemon-yellow daisies of *Anthemis Wargrave* throughout their herbaceous borders, but the mad keen gardeners of the 1970s managed to lose most of the stock. Three years ago, I thought I had found it but it turned out to be the shorter, and more vivid, *Anthemis Buxton*, which has supplanted it in common nurseries. Did no one remember the height and paleness of the true daisies which were upheld in iron plant-hoops in my early years?

I return to the strong blue of Concha and also Edinburgh, neither of which is entirely trustworthy in a serious winter. They grow so fast that they are worth a gamble anywhere but I continue to be most thankful for one of the commonest forms.

The sky-blue Glore de Versailles will grow anywhere on well-drained soil. It is at its absolute best in big Hampshire gardens from this weekend onwards, where it stands among old roses as a free shrub in its own right. It picks up the show this weekend when the roses are fading and, after four winters with me, it

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Photograph by Tom Baker

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PERSPECTIVES

Lunch with the FT

The appeal of a celebrity lawyer

Christina Lamb meets Alan Dershowitz, controversial advocate to a string of famous clients

At first sight the Harvest restaurant in a small alley near Harvard University offers little of note beyond some colourful murals depicting a swirling mass of fruit and vegetables. Lunching there with Harvard law professor Alan Dershowitz, however, it takes on a whole new complexion.

Often described as America's most controversial lawyer, Dershowitz has handled a succession of high-profile appeals for famous felons. His celebrity clients include junk-bond king Michael Milken, tax-evading New York hotelier Leona Helmsley, and former boxing champion Mike Tyson. And he brings all of them to lunch at the Harvest. "This place holds a lot of memories," he told me. "I was here last week with Mike Farrow. I've eaten frequently with Claus von Bülow at that table over there and this one with Mike Milken."

Today he has arrived late and slightly breathless from working on the appeal to reduce Tyson's sentence. Full of energy in a nervy Woody Allenesque way, his mop of curly red hair and casual dress make him look younger than his 54 years and surprisingly undaunting for a ruthless superlawyer said to be capable of securing a suspended sentence for Jack the Ripper.

Though he describes himself as

an agnostic, he is so proud of his Jewish identity and Orthodox upbringing in Brooklyn that he wrote a best-selling book about it called *Chutzpah*. In his house he has a framed piece of barbed wire from Auschwitz as well as paintings from the Jewish ghetto, and he checks on the ingredients before ordering vegetable soup followed by anchovy tart with chicory and fennel salad.

"It's very difficult to get good kosher food around Harvard," he complains. "I got so fed up that I actually started my own deli. It was very popular among students but we were losing \$2 a sandwich so had to close down."

Fiendishly bright, it is surprising to learn that in his teenage years he was regarded as a troublemaker and academic failure. Having just squeaked into Brooklyn College, he discovered his true calling in law, going on to Yale where he graduated first in his class. At 28 he was appointed tenured professor at Harvard, the youngest in the Law School's history - and became an appellate lawyer because he says, "It fits in best with my teaching schedule".

His reputation as a lawyer of last resort began as defence for a series of controversial characters from porn stars to Soviet dissidents. In 1982 he hit the headlines after Claus von Bülow hired him to overturn a



30-year sentence imposed for trying to murder his wife Sunny with insulin injections. The cell came on April Fools' Day and initially Dershowitz did not believe it was really von Bülow. Warning him: "I'm not a hired gun," he put together a team of his best students and secured a reversal of the conviction on a technicality. *Reversal of Fortune*, Dershowitz's book on the case, became a successful film.

It was seeing the movie that made Lori Milken decide that he was just the man to help her husband, former head of high yield securities for Drexel Burnham Lambert, who had been sentenced to 10 years after pleading guilty to violating federal security laws.

Dershowitz seems to relish being seen as the St Jude of legal lost causes: "It's a great challenge to be

the last stop before the gas chamber. The justice system is only as good as it is toward the worst person."

I ask if he deliberately chooses guilty clients. He replies: "Every lawyer prefers innocent clients but there are just not that many innocent guys around."

Does it make any difference whether they are guilty as to your chances of getting them off?

"It didn't use to. You could always set people off on a technical or constitutional hitch. Now it's not so easy."

In one of his books he wrote about a recurring nightmare in which Josef Mengele asked him to be his lawyer. I ask if he would feel bad about getting a murderer let loose in society.

He smiles: "Court cases are not so black and white as portrayed on TV or in movies. In the Mike Tyson case the girl claims she got on top of him in order to escape. But she didn't say that at the time."

Surely, though, he must form an opinion about a client's innocence. "Yes, I do," he says, intriguingly. "Von Bülow I'm absolutely convinced is innocent. But you never know. I remember when we got some forensic evidence in his favour and I said to him 'Now I know you're innocent'. Claus smiled and said 'Alan, you don't know. Only two people in the world know

that - me and Sunny, and she's in a coma!'

As Dershowitz makes no secret of his dislike of the Establishment, I wonder if he likes the people he represents. "Yes," he replies. "I'm close friends with von Bülow. Milken is really sweet." He does not feel the same about Leona Helmsley: "She's bitchy, and I use the word advisedly. But that's why I liked defending her. I felt she was being punished for how she is, like a female Donald Trump, qualities that in a man may have been admired."

Reward comes in the shape of fat fees - about \$450 an hour - much of which goes on his art collection. But Dershowitz claims his most gratifying case was that of Soviet dissident Anatoly Shcharansky, which he worked on unpaid for nine years to free him from prison. Why? "Our ancestors came from the same part of what is now Ukraine."

He gets hundreds of requests each week from potential clients. "Every case you see in the media comes across my desk," he says, "but I'm lucky because I have a full-time career as professor so can pick and choose. I try to do precedent-setting things which will be useful in class. I wanted Tyson because date rape is a cutting-edge issue. Along with abuse it's one of the least reported and most falsely reported crimes."

Dershowitz has a new book about



Alan Dershowitz: 'There are just not that many innocent guys around.'

to be published - *The Abuse Excuse* - and he is completing a novel, *The Advocate's Devil*, as well as a sequel to *Chutzpah*. He says: "There's nothing I like better than sitting in my study writing and listening to opera, with Ella [his four-year-old daughter] playing on the floor."

Some would say you are the one getting all the publicity. He laughs. "The one person I cannot defend is myself."

In the Weekend FT last month, Professor John Postgate posed the question: 'Religion: are we better off without it?' Here Hugh Dickinson, the Dean of Salisbury, gives his reply.

"The age-old dispute between science and religion has resurfaced. But science has the moral high ground."

- Professor Postgate

The clarion call by Professor Postgate in defence of science sounds a bit like a nervous Roman legate warning his troops of impending rebellion by wild Germanic tribes across the Rhine. He pictures a rational scientific elite having to defend itself against repeated onslaughts of religious fanatics.

But is it really like that? This is not the first article in the FT by a contemporary scientist expressing a sense that "science" or scientists are somehow beleaguered or under threat, and to attribute that threat to the malign influence of "religion", specifically Christianity and Islam.

Postgate devotes much space to the fruitless game of balancing the profit and loss accounts of religion and science - a sort of tit-for-tat of "you've done nastier things than we have". The enterprise is naive and pointless unless he defines what he means by "science" and "religion".

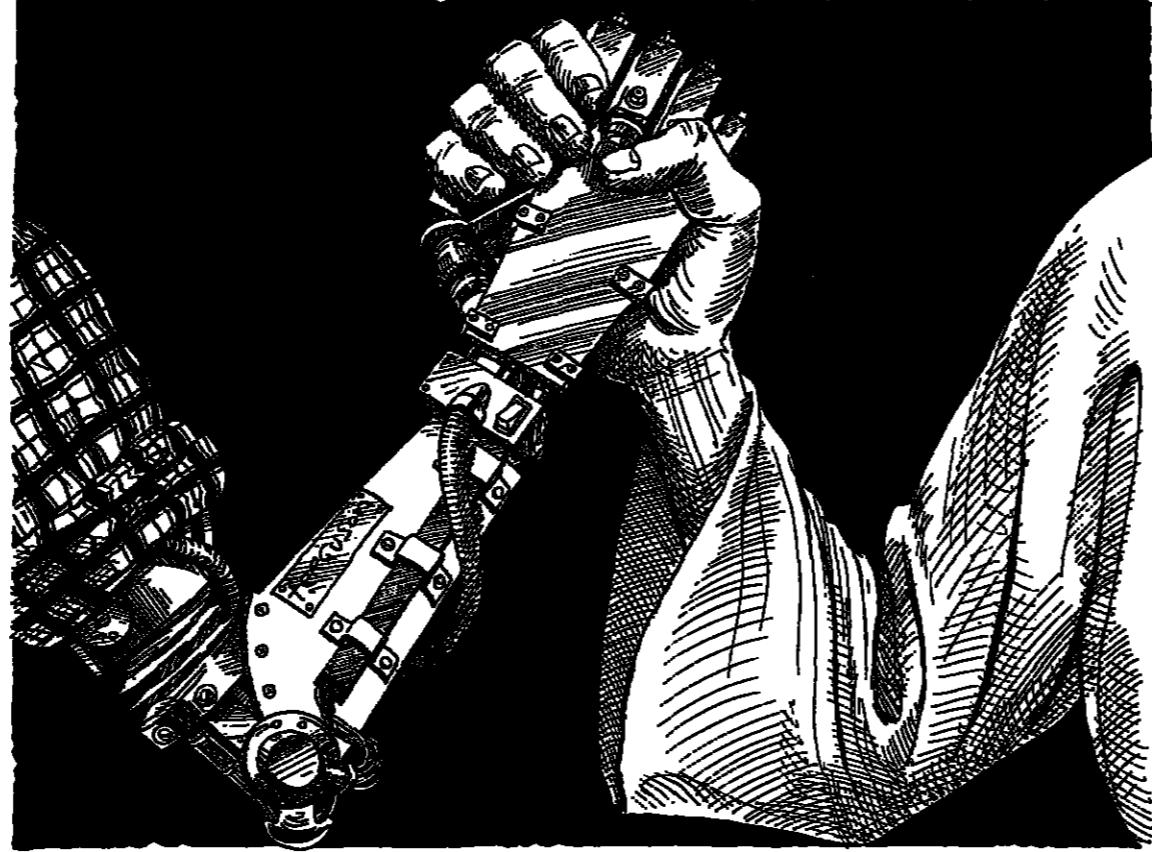
Both are complex, pluriform concepts, not single unitary entities. "Science" stretches all the way from the abstractions of theoretical physics through the Cern cyclotron, via molecular biology, keyhole surgery, ceramic saucers, and on to the hill farmer using the latest herbicide喷雾 to him by the agri-chemical multinationals.

"Religion", likewise, stretches from human sacrifice in the Amazon basin through the sack of Constantinople, the prophet Mohammed, Giotto, George Herbert, Salisbury Cathedral, Francis of Assisi, Lord Shaftesbury, and the Sermon on the Mount.

Both religion and science (in that general sense) do have dark episodes and great achievements, both have a history of terrible distortions. But unless religion is fundamentalist and science positivist and systematically reductionist, there is no necessary collision. It is cheap to accuse the many first-class scientists who also have deep religious conviction of keeping their minds in two water-tight compartments. The innumerable of intellectual dishonesty is inescapable.

Science and religion occupy different realms of discourse, each with its

The real reasons why science is under attack



distinctive appropriate language. Religion is about meanings, purposes and values; science about physical phenomena and their relationships. Religion is about the quality of things, people and experiences; science is about enumeration, measurement and quantity. The most profound human experiences cannot be measured or enumerated, and the integrity required for honest measurement is only one segment of a broad spectrum of moral imperatives needed by human society. Alone, it offers no especially high ground.

But there are two issues raised by Postgate which are of real interest. Why is there a widespread distrust of "science"? And what kind of morality can "science" offer humanity?

The distrust of science is not generated by religion - it is far too widespread for fundamentalist hostility alone to account for it. Admittedly, there are fundamentalist groups in all religions whose authoritarian hold over their adherents is threatened by a modern understanding of the uni-

verse. But the unease about "science" is a deeply felt anxiety in secular society at large.

It arises from the fact that applied science is not value neutral - it has immense economic and political and environmental consequences. The public knows that "science" is an often ambivalent benefactor - like the Greeks bringing gifts, its contribution to the welfare of society is not always beneficial.

More sinister, who pays for science - who calls the tune? Scientists must be paid by someone. And too many have manifestly sold their objective independence to governments, multinational corporations or interest groups. They are happy to be called as witness on opposite sides of public inquiries - who are we to believe?

Of course, pure scientists are not like that - they are as pure as the driven snow. Except that, for the layman, it is hard to understand how one

generation's heresies become the orthodoxy of the next - plate tectonics, for example.

The trouble is that the general public does not see the pure scientist at work in his beautiful ivory laboratory of moral integrity - it sees the results down the line: the experiments on embryos, the extravagantly expensive high-tech surgery, the environmental consequences of Chernobyl, the genetic engineering, the astonishing array of lethal substances designed to kill or maim. It sees Hiroshima. And, quite simply, it is scared stiff because it feels like the whole huge technico-scientific machine is out of control, and that the global environment is going to be damaged irreparably.

Of course, it is not fair. That is not what real science is about. I know that. You know that. But if Postgate is really wanting to know why science is under attack, it is more to do with the loss of butterflies from toxic spray than from fanatical Christians rejecting a scientific world view. I owe my life - twice - to modern medical sci-

ence at its best - or is it the paragon of intellectual integrity proclaimed by Postgate. But religion also has better aspects. Should not an objective scientist list and acknowledge them - and gladly? Is that not part of his moral integrity?

Would the extraordinary shift of power from white to black majority in South Africa have taken place with such astonishing speed and calm if the Christian churches, and the values of reconciliation and multi-racial community which they preached, had not been a constant and pervasive influence in the leadership for 50 years? They, at least, would not have been better off without that moderating moral influence.

The backlash against science - where it really exists - is a genuinely worrying feature of a secular society increasingly prone to mystical imaginings from a world of fantasy, science fiction and New Age gurus. But it must be equally worrying to the thoughtful Christian, for whom the rational pursuit of truth is just as important as it is for the FRS. And it is worth noting that some Fellows are also thoughtful Christians.

Science at its best is - or can be - the paragon of intellectual integrity proclaimed by Postgate. But religion also has better aspects. Should not an objective scientist list and acknowledge them - and gladly? Is that not part of his moral integrity?

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The very act of trying to govern the world was doomed, for it made things worse. There was a "big bang" in 1914 when old empires started to explode into new states, and that had not settled down. Neo-nationalists and neo-fundamentalists resented anything that smacked of trying to impose any order, new or old, and G-7 political declarations were, therefore, a waste of time.

I once knew a house in Devon where the hall was full of 18th century painted figures cut from wood panels. The lone inhabitant found it comforting to join these guests from another world. With modern technology, it should be easy enough to construct a Potemkin summit which would be no less impressive than those we enjoy today.

Next year's venue, a spot known as Halifax, Nova Scotia, would be an excellent place to start.

■ James Morgan is economics correspondent of the BBC World Service.

The Nature of Things
Let there be light

How do you make everyday materials give out light without heating them? Scientists have recently produced two new solutions in the form of plastics and silicon wafers that glow when an electric voltage is applied.

Both have immense commercial potential. Light-emitting plastics could make paper-thin screens for televisions and computers. These would be far tougher and more adaptable than either the cathode ray tubes used for conventional televisions or the new generation of liquid crystal displays.

Light emission from silicon, the main material of electronic chips and the semiconductor industry, could lead the way to the super-fast optical processors that have been a dream of the computer industry for a long time. Such devices, running on photons (pulses of light), would be much more efficient and compact than the present generation of computers which use electrons (pulses of electricity) to process data.

UK researchers have played a leading part in both advances. Leigh Canham and colleagues at the Defence Research Agency, Malvern, discovered how to make silicon glow.

Richard Friend, Andrew Holmes and other scientists at Cambridge University have led the development of light-emitting plastics.

Both groups have taken out strong patent protection, and the Cambridge scientists have set up a company, Cambridge Display Technology. If the discoveries live up to expectation, they will bring in significant royalty income; but there seems little chance that what remains of the UK electronics industry will be able to make either plastic displays or optical computers on a large scale for world markets.

The common factor behind the two developments is a new understanding of the way electrons behave on what scientists call the nano-scale. (Its name comes from the nanometre, a unit of length equal to a millionth of a millimetre.) The trick is to construct special conditions under which electrons release energy as light, rather than the usual heat.

Leigh Canham's process for making light-emitting silicon is deceptively simple. He treats a conventional silicon wafer, used for making chips, with highly corrosive hydrofluoric acid. This eats away more than 80 per cent of the material.

The porous silicon sponge left behind is, in effect, a web of extremely fine silicon wires, each 70,000 times thinner than a human hair. When electricity passes through such thin wires, some of the electrons lose energy by emitting visible light. The colour of the radiation varies with the thickness of the silicon.

Although the scientists do not understand fully the reasons for this instability, they are confident it can be overcome. And just as porous silicon could encroach on the main potential market for plastics - displays - the converse is also possible. If the plastics can be made compatible with integrated circuits, they will be potential light sources for optical computers.

So, a photo-finish is likely early next century in the race between light-emitting silicon and plastic to achieve large-scale commercial production.

As They Say in Europe / James Morgan

Faking a grand occasion

Frankfurter Allgemeine's man in Rome, Heinz-Joachim Fischer. He has the most envied job among German foreign correspondents.

Italy provides the nearest thing to the German idea of paradise on earth. Fischer, however, rarely succumbs to the country's charms and, in fact, finds it rather objectionable. But he is always a good read, and a must for anyone seeking to come to grips with the Italy of today.

Fischer's curtain-raiser before last week's summit in Naples reflected perfectly his approach, an amalgam of erudition and contempt. He noted how lucky it was that reports of parliamentary investigations did not get read. For, if they were, the seven leaders might

have thought twice about holding a summit in Naples.

The report produced last December on the workings of the Neapolitan Camorra made the Mafia seem like a Rotary Club. The Naples region produces twice the national average of murders, more than twice the number of officials driven from office as in Sicily, and an industrial structure based on fraud and corruption.

Yet, Naples was dressed up for the summit. Had not the authorities done a good job? Not according to Fischer, which he said, "freely confuses the cosmos and the farmyard". There followed a quotation from Cocteau: "What is France? I ask you. A cock on a dungheap. Take away the dungheap, the cock dies."

The summit had played a

vital dungheap role, and sending troops to Rwanda meant France could crow as the conscience of the world. "France exists, the G-7, sorry G-8 (Russia included), have recognised it. That is one of the lessons of the summit..." Charging on through his thicket of metaphors, Giesbert concluded that it was "a summit of the seven dwarves. Without Snow White".

*A different view was expressed in *La Stampa*, which headlined its comment: "The chimera of a world government." It argued that while the G-7 was the pinnacle among international bodies designed to construct a better world, it should, in fact, do nothing at all.*

According to the newspaper,

the very act of trying to govern the world was doomed, for it made things worse. There was a "big bang" in 1914 when old empires started to explode into new states, and that had not settled down. Neo-nationalists and neo-fundamentalists resented anything that smacked of trying to impose any order, new or old, and G-7 political declarations were, therefore, a waste of time.

I once knew a house in Devon where the hall was full of 18th century painted figures cut from wood panels. The lone inhabitant found it comforting to join these guests from another world. With modern technology, it should be easy enough to construct a Potemkin summit which would be no less impressive than those we enjoy today.

Next year's venue, a spot known as Halifax, Nova Scotia, would be an excellent place to start.

■ James Morgan is economics correspondent of the BBC World Service.

BOOKS

Poignant poetry of the past

Christopher Patten, governor of Hong Kong, reviews the evocative memoir of an Irish civil servant

As a junior minister in Belfast, opening a red box for the first time, I was disgracefully spoilt. My permanent secretary in the Northern Ireland civil service was a Lancashire Ulsterman called Norman Dugdale. He is a fine poet (also published by the admirable Blackstaff Press) and a student of Cavafy – and maybe, not surprisingly, the best drafter of a ministerial submission I have ever encountered.

And then there are the riches of the Province, when Dugdale retired, he was followed by Maurice Hayes, former town clerk of Downpatrick, chairman of the Community Relations Commission and a senior mechanic in most of the efforts in the 1970s to broker civilised constitutional deals between the warring tribes of Ulster.

Maurice Hayes, who went on to become Northern Ireland's Ombudsman and today's chairman of the Ireland Fund's advisory committee, is a Gaelic scholar and poly-

math and a high-scoring member of Ireland's "Round Britain Quiz" team on BBC Radio. A trenchant analyst of politics and a brave and decent public servant, he has like Mary Robinson or Garret Fitzgerald, all the wit, the learning, the courage and the crack, that give the Irish at their best a head-start in the charm stakes.

Now he has written a book about growing up in a seaside village in County Down before the war. And if there is a more magical album of childhood memories, real or fantasy, I would like to know what it is. As Seamus Heaney points out in his introduction, *Sweet Kilough* is part-census, part-inventory of birth and death, rumours and gossip, tides and winds, moons and

stars, harvests and catches, trains, boats, horses, sayings and songs. Kilough was a self-contained community into which the outside world encroached little. The biggest employer was the brickworks, not a very sound foundation for the local economy given the state of the building trade and the tendency of the local bricks to split and spill and let in the wet. Otherwise fishing and farming provided the jobs.

Hayes describes the farming calendar – the ploughing, the sowing, the harrowing, the threshing – and reminds us of the "fragility of crops at the mercy of the weather". But above all, in sight of the Mourne and the Isle of Man, Kilough is made by the sea: "the sea is everything, everywhere, determining the limits of existence, the weather, the rotation of activities, and often life itself and death".

We read of the shore, the jetsam, the bays, the piers, the rocks, the wrecks, the drownings, the cod, the failure to say which instead of who in the third word of the "Our Father" ... to be called Liam instead of Billy... none of these things mattered in Kilough.

Hayes grew up in a Catholic home in which the superstition of a fishing village fused with the deeper rhythms of the church's liturgical year: abstinence and fasts, Ash Wednesday and additional rosaries, and always the minutiae of ritual and indulgence, for example "how many prayers (known faintly as ejaculations)

were necessary to bring about a desired end". His father was from Waterford, had fought for the King in Mesopotamia and India, and even received a patriotic wound, though for playing football not from a Turkish scimitar.

Hayes draws a marvellously evocative picture of his mother, to whom childhood illness inevitably drew him very close, as well perhaps as the fact that as the second of twins he had been expected to die, until "caxed into life by the heroic efforts of the mid-wife and a couple of drops of brandy". We see his mother sewing and making jams and marmalade, apple jelly and puff pastry, we learn of her

careful collection of people with cures for warts and haemorrhages and ring worm; we hear her aphorisms and the precepts learned from the nuns and from her own mother. She was obviously a remarkable woman, and at the book's end is borrowing money to buy a rundown commercial hotel in Downpatrick to help pay for a better education for her children. As in other happy childhoods, she is the heroine of the tale – at one moment bent over her sewing machine, "her hair fumbled down on one side, masking the work", seeming to envelope mother and son in their own private tent. And then, alas, she is knocked over on her way back from the station by touring cyclists, and after that she never seemed young again.

It is customary at this time of year to give advice on the books that should be packed for the beach or the river bank. All I can say, as politely as possible, is that if you do not take *Sweet Kilough* with you this year, you are mad.

White Chief in a Velvet Jacket

Jackie Wullschlager on the life of Robert Louis Stevenson

Fans called him Velvet Jacket, the lovable, smoking Bohemian artist. To others he was Serafin in Chocolate, an arch *fin-de-siècle* sensualist, possibly over-sweet. On the island of Samoa, he was White Chief, protector of a tribe of former cannibals. By the time Robert Louis Stevenson died in 1894, aged 44, he had become such a mythical, untouchable figure, that, reviewing an early book of letters, a sceptical Henry James said: "one smells the things unprinted".

Now, in the centenary year of his death, a magisterial eight-volume edition of Stevenson's letters gives us a full rich portrait of the writer. Told

the art critic Sidney Colvin and literary hostess Frances Sitwell who supported him when a religious row drove him from his strict Edinburgh family. These form a journal of this critical point in his life, when he was fighting for the freedom to be himself and to write. In becoming "a horrible atheist", his father said, "you have rendered my whole life a failure"; to his mother it was "the heaviest affliction that has ever befallen me".

To RLS the pampered only child, the break with home was devastating. As Frances Sitwell, "a sybilline beauty over which time had no power", guided him through the storm, he became infatuated with her. He addresses her as Madonna: "Your sympathy is the wind in my sails," and "you are the very texture of my thought." Colvin was also in love with her and after a 30-year courtship, she married him. Initially a rival, RLS was devoted to Colvin. "I can see no harm in my dying like a burst pig upon some outlandish island," he tells the older man, "but if you died, without due notice and a chance for me to come and see you, I should count it a disloyalty, no less."

RLS was always sickly: the rapidly changing addresses here as he moved from spa to spa is the journey of a typical Victorian consumptive. After his religious crisis, convalescence in the south of France was psychological as well as physical. It healed wounds, and soon he was writing, in un-Scottish fever pitch, "my dear father and mother, I wish to do no more today than tell you how much you are in my thoughts, and how much I love you... please never imagine that you will lose me, or I lose you, until death interferes... do believe that I love you with all my heart."

As his biographer Ian Bell pointed out, Stevenson's style is a sick man's response to the world heightened, distanced, specific. No letter writer has a more intense feel for places. From Scotland "very cold in both and black at heart," he writes one summer of the "high wintry winds, and the grey sky and faint northern daylight," and air so invigorating "that my scalp was sore." In France he swoons over sun-trapped valleys and hikes across the Cévennes with his donkey Modestine" (65 francs and a glass of brandy), taking just a change of clothing and a whisk – for his breakfast cocktail of raw eggs. One recalls "many is the long night I've dreamt of cheese – toasted, mostly", in *Treasure Island*.

Like many children's writers, he never quite grew up, and most of the letters in these two volumes – ending when he was 29 – are to his parents, or

THE LETTERS OF ROBERT LOUIS STEVENSON, VOLS I and II, edited by Radford A. Booth and Ernest Mehew. Yale £29.95 each, 525 and 352 pages

in his own voice – or rather in the two voices of someone whose imaginative existence propelled his actual one – his strange short life is riveting. On the one hand, RLS was a romantic, living out the swash-buckling fun of *Adrienne* and *Treasure Island* on voyages to the South Seas and a marriage to a fast, gun-carrying Californian. On the other, there emerges a decent, everyday guy who cared about food and the weather, ran out of cash, and wrote home each week to his mum. RLS is already enjoying a revival as a Victorian New Man – emotional, honest, tolerant, a model of equality in his marriage and his friendships with South Sea islanders. These letters will enhance both his literary reputation and his popular image.

Like many children's writers, he never quite grew up, and most of the letters in these two volumes – ending when he was 29 – are to his parents, or



Endpaper from the 1911 Cassell Classic edition of 'Treasure Island' painted by the great American illustrator N.C. Wyeth, reproduced in 'Pictures in the Mind: The Illustrated Robert Louis Stevenson' (Canongate Press £14.95 paperback, 88 pages) with an introduction by Dr John Scally.

writes one summer of the "high wintry winds, and the grey sky and faint northern daylight," and air so invigorating "that my scalp was sore." In France he swoons over sun-trapped valleys and hikes across the Cévennes with his donkey Modestine" (65 francs and a glass of brandy), taking just a change of clothing and a whisk – for his breakfast cocktail of raw eggs. One recalls "many is the long night I've dreamt of cheese – toasted, mostly", in *Treasure Island*.

The same mix of thrills and homeliness that make his stories so shudderingly authentic informs these letters.

"You may paddle all day long," he says of a canoeing trip in Belgium in 1876, "but it is when you come back at nightfall, and look in a familiar room, that you find Love or Death awaiting you beside the stove, and the most beautiful adventures are not those we go to seek." He ended that trip with a visit to the Barbizon artists, and stopped one night

outside the hotel Chevillon near Fontainebleau. Peering through to the dining room, he saw a dark, lively American woman and, to screaming delight from the artists, faltered through the window to sit beside her.

She was a married mother called Fanny: she liked him but was unimpressed by his habit of bursting into tears. A year later, she cabled from California in distress. RLS caught a steamer to the Atlantic, rescued her from a disastrous

trous husband, and married her. "Come on £250 a year," his father cabled, announcing a reconciliation allowance.

Volume two leaves RLS in the middle of this affair. Many figures from Victorian Britain have come to life, from the crippled editor W.S. Henley, model for Long John Silver, knocking down Oscar Wilde with his stick, to the "light-house Stevenson's" touring the coast to show off their beacons. The remaining six volumes promise to be as enthralling.

To Martin Luther in 1519, Erasmus set out one of the fundamentals underlying his approach to the quarrels of a bitterly divided continent: "I think we get further by courtesy and moderation than by clamour. That was how Christ brought the world under his sway... Things which are of such wide acceptance that they cannot be torn out of men's minds all at once should be met with argument, close-reasoned forcible argument rather than bare assertion."

Toleration remained the hallmark of his thinking, but there was no precursor here of a multi-faith society in which all beliefs are accorded equal respect.

"Let them burn, by all means, those who fight the teaching of the articles of the

church," he was to write as much as he could. There is much that is recognisably "modern" in his outlook, in contrast with others, such as Martin Luther, who had such a big influence on Europe's development.

Though steeped in the ruling currents of the time, he frequently rose brilliantly above them. His understanding, his insistence on distinguishing between substance and form and examining basic principles, and above all his humanity illuminate a world in which religious certainties battled for supremacy.

The world today is as divided, though driven by doubt rather than certainty. The Erasmian approach, as we stumble our way through, has as much validity now as then.

Tito was dying. But anyone watching the thousands of ordinary people who in 1980 packed a square in Skopje for a spring festival of singing and folk dancing would have concluded that Tito's Yugoslavia was very much alive.

Even in Pristina, capital of neighbouring Kosovo province, where ethnic Albanians drank their defiance of the Serb authorities it seemed – certainly to the younger generation – that the Old Man's federal framework, however fragile, was simply too precious to be allowed to break.

Tito knew how fragile it was. Nine years before he died, Jasper Ridley records, he warned Croatian Communist party leaders who had met to discuss an outbreak of nationalist separation: "Under the cover of 'national interest' all hell is assembling... In some villages the Serbs, out of fear, are drilling and arming themselves... Do we want to have 1941 again?"

Foreigners, he said, were speculating that after his death – he was then 79 – "the whole thing will collapse". Meanwhile Brezhnev had mischievously offered to lend him

Benign dictator or corrupt despot?

Whatever one thinks of Tito, he recognised the dangers inherent in the Balkans, says Christian Tyler

revolutionary whose corrupt, extravagant regime was waiting to be hijacked by power-grabbing nationalists such as the Serb, Slobodan Milošević, and the Croat, Franjo Tuđman.

Both biographers incline to the first interpretation, but neither supplies an answer.

Riley's book is more history than biography. Being the historian he is, he not only maps out the life but carefully and usefully supplies the world context in which Tito operated, from the break with Stalin in 1948, through the depths of the Cold War to his reincarnation as a world statesman, leader of the "non-aligned" nations. Riley also scores the theory advanced by Michael Lees in *The Rape of Serbia* that Winston Churchill was duped by left-wing intelligence advisers into switching British wartime sup-

port from Mihailović's Chetniks to Tito's Communist partisans.

But little emerges of Tito the man that has not already been recorded by his wartime comrades: Vladimir Dedijer in his politically-correct hagiography of Milovan Djilas in his sharp, dissident and more subjective portrait.

The book concludes with anecdotes and reminiscences whose effect is to illustrate rather than illuminate the Serbs' "revenge" (a revenge in which the Moslems have once again become the proxy victims). Tito has vanished. His biogra-

pher muses vaguely about history and religion as the inevitable causes of the war, but it is a view contradicted by refugees of the conflict and by the humble folk that West himself has interviewed on his travels.

Tito always divided outside opinion: ambivalence was one of his political gifts. Courageous, charming, autocratic, fond of dogs, hunting and women, he has exerted a particular fascination over the British, from the soldiers who met him in the mountains to modern historians at their desks. He inspires extremes of admiration and distaste. On balance his reputation seems to have been enhanced by the deluge which has followed his death. It may be too soon for his story to judge.

In the meantime, if one had to make room on the bookshelf for one more biography of Tito, it would probably be Riley's.



Josip Broz Tito: the father of Yugoslavia

ARTS

From figures to dragons, suns, moons and laughter

William Packer admires an exhibition of Maggi Hambling's recent work

As she approaches 50, Maggi Hambling remains as unpredictable and unclassifiable as she is prolific. Not only does she never seem to stop unless tied down, her paints confiscated and studio locked, but what she does is likely to surprise and test even the most committed of her supporters. Portraits, life drawings, landscapes, mystical abstractions upon landscape, symbolist or mystical abstraction - all have appeared in their turn over the past dozen years or so, and not as single spires at that, but in battalions.

She is something of a surrealists, and an expressionist within the broad meaning of the act - though for saying as much I was once pinned against the wall by the late and redoubtable Vera Russell, who said to me darkly as she shook me by the throat: "Maggi is not an Expressionist. Expressionists are German." Even she, I feel, had seen this latest work, would now concede the point.

Towards *Laughter*, her show at the Barbican, offers us a just such a view of the paintings of the last ten years, with a handful of earlier works to set the thread. It is not a straightforward retrospective, but more a retrospective of an idea, and its development within the work.

Miss Hambling, in her portraiture and figure painting, has always been interested in physical expression, passing moods and states of mind. The show opens with one or two examples - a portrait from the mid-1970s, of Lett Haines, her sometime teacher, roaring with laughter and profoundly convincing in its psychological subtlety; and another laughing and this time female head from 1984, which is more robustly stated.

But rather closer to the particular idea, as we see it develop through the show, are two much stranger images. The first is of the ghost of another of her great teacher-friends, the artist Cedric Morris, a wisp and transparent ectoplasmic figure in his chair

against the light. The second, "In Praise of Smoking", is a conversation piece in the extended series of paintings she made of her friend, the comedian Max Wall, in the early 1980s. It shows the two of them in the studio, one posing, the other painting, with the smoke from their cigarettes rising to come together in a cloud above their heads, a cloud personified in the head of a ghostly monkey.

The jump from this to the first of the sunrise paintings, which marks the transition from overtly figurative painting to the abstraction that makes up by far the greater part of the show, is thus not so great as it might at first appear. The key work is the *Dragon Sunrise* of 1988, a burst of orange against the blue out of a black cloud that immediately calls to mind the Zen temple ceiling paintings of Japan. Soon the moon appears, to do battle with the sun - reflected images, ambiguous surfaces, suggestions of pools and water, or dragons and demons chasing the richly darkening sky. These are increasingly ambitious and dangerous paintings, in terms both of scale and content, and it is a measure of the artist's skill that she carries them off so often, and so beautifully, in this phase of the work.

And suddenly, with the 1990s, the laughs take over, great bursts and belly laughs of pigment, pools of colour, swirling and rioting together. They begin quite soberly with "The Happy Dead", another symbolic and abstracted sky, and so, happiness to laughter, the thought of the physical, visible presence and description of mood and sound, the intangible and the evanescent, is born.

These are now high risk ideas and images, the danger ever-present of ludicrous, bathetic failure and belly flop, and it is a measure of Miss Hambling's nerve that she has persisted with them with such spirit and, in the event, to such effect. Here they are: "Brother Laugh", all pure, pink and voluptuous with hints of buttocks



Something of a surrealists' 'Secret Laugh', 1991, by Maggi Hambling

and black stockings; "Suicide Laugh", desperate, defiant and vertiginous, light on dark and into the void; "Bathroom Laugh", swirling, supine forms, pink against blue; "Laugh Defying Death", legs kicked in the air; "Champagne Laugh", yellow froth and glass held high; "Secret Laugh", off to the side and turning away; "Ghosts of Laughs", fading into silence.

And black stockings; "Suicide Laugh",

desperate, defiant and vertiginous, light on dark and into the void; "Bathroom Laugh", swirling, supine forms, pink against blue; "Laugh Defying Death", legs kicked in the air; "Champagne Laugh", yellow froth and glass held high; "Secret Laugh", off to the side and turning away; "Ghosts of Laughs", fading into silence.

die. Maggi Hambling laughs a lot, and this is a brave show.

Maggi Hambling - *Towards Laughter*, the Concourse Gallery, Level 5, the Barbican EC2, until July 31, then to Preston. Sponsored by Northern Centre for Contemporary Art and Northern Electric, funded by the Arts Council.

Ideal opera for Drottningholm

John Allison reviews Haydn's 'Orlando paladino'

The abundant pleasures of visiting the Drottningholm Court Theatre - 50 minutes from Stockholm by lake steamer - have been recounted on this page before. But the single most satisfying experience there is of course a good opera production, and Haydn's *Orlando paladino*, the main project this year - the second season under Elisabeth Söderström's artistic direction and the chief conductorship of Nicholas McGegan - is very fine indeed.

One of Söderström's aims is to explore the operatic genealogy of the Mozart and Gluck works that have been central to Drottningholm's repertory over the years. *Orlando paladino* was Haydn's most popular opera, and it is likely that Mozart heard it; certainly, there are pre-echoes of *Don Giovanni* in the characterisation of Medoro (a Don Ottavio figure) and Pasquale, whose catalogued grievances call to mind Leporello. Though the plot cannot stand dramatic scrutiny, it serves as a framework for marvelous music, much of it worthy of Mozart's operas.

Stephen Dahlberg - more than adequate as the swooning Orlando

Orlando paladino is ideally suited to Drottningholm's 1765 jewel-box of a theatre. It was composed (1782) for a court theatre of about the same size and period - that at Esterháza, long since destroyed - which like Drottningholm was on the fringe of European culture but flourished under enlightened patronage. The libretto, stitched together from Ariosto's heroic legends, calls for all of Drottningholm's famous stage effects: the thunder and wave-machines work their magic, Alcina descends on a cloud, Orlando decapitates one statue and is himself transformed into another. Drottningholm's deep stage provides the dark recesses for Alcina's magic grotto. As if in a time capsule, the original, 18th-century stage machinery is still in place:

scene changes are accomplished within a matter of seconds, dissolving with breathtaking beauty.

Ivo Cramer's production in Dominique Delouche's lavish costumes, catches the opera's naive blend of comedy, romance and heroism. Cramer, a choreographer of long experience, provides lively spectacle (Alcina's monsters were taken by dancers) that almost disguises the work's lack of stage sense.

Drottningholm's cast was strong, with two especially good sopranos, Elisabeth Berg was bright and bell-like as the shepherdess Eurilla, and Pia-Marie Nilsson sang with almost perfect poise as the languishing Angelica. The tenor Klas Hedlund stood out for his

expressively comic Pasquale and skillful patter singing. Gunnel Lundberg blustered powerfully but as the swashbuckling but ineffectual king of Barbary, Rodomonte; Anita Soldi characterised the benign sorceress Alcina well; Stefan Dahlberg was more than adequate as the ridiculous, swooning Orlando; but Lars Magnusson's Medoro was too loud and unyielding.

Haydn's score sparked under McGegan's energetic direction, but it never quite seemed pushed. McGegan caught the music's essential lyricism, and the "period" instruments - beautiful winds - sounded smooth in the theatre's intimate acoustics.

The Festival runs until September 9.

Neat one, Martin.



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Into the
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BBC1

7.25 News. 7.30 Felix, the Cat. 7.45 Joe 90. 8.10 The Flintstones. 8.35 Round the Twist. 9.00 Parrot 9.

10.55 Film Peter Lund and the Medicine Hat Station, Western adventure. A frontier teenager (Leif Garrett) becomes a Pony Express rider in 19th century Nebraska (TVM 1977).

12.35 Weather.

12.30 Grandstand, introduced by Steve Rider from Tumberry. 7.35 Golf and Football Focus: The Open Golf Championship. Coverage of the third round at the wind-swept Ayrshire course. Plus, Football Focus: Preview of the World Cup third-place final. 1.00 News. 1.05 Golf. 1.25 Racing from Newbury. The 1.30 Match of the Month: Castle Conditions Stakes. 1.35 Golf. 1.35 Football: The 2.00 Horses Timber and Building Supplies Stayers' Championship Series Handicap (Qualifier). 2.05 Golf. 2.25 Racing: The 2.30 Weatherby's Super Sprint Trophy. 2.35 Golf. Times may vary.

5.05 News. 5.15 Regional News and Sport.

5.30 Hit the Road, Team captains Jonathan and Anna, Amanda Gales and John Leslie, organ, selected film, Bowen, Keith Chegwin, Jenny Guscott, Allan Lamb, Vicki Michelle and Carol Smillie to perform bizarre tasks in Stratford and Warwick.

6.00 Stay Tuned, Tony Robinson presents history of The Flintstones, in preparation for the 25th anniversary of the movie starring John Goodman.

6.40 Pets Win Prizes. Ordinary house-hold pets compete in all manner of wacky events in an attempt to win prizes for their owners.

7.00 The Big Picture: Nemesis. Joan Hickson. In the guise of a super-sleuth, Miss Marple is sent by a millionaire to investigate an undirected crime. Feature-length mystery, with Helena Mitchell.

8.00 One Foot in the Grave. All manner of disasters ensue when Victor seeks professional help for an over-grown cavity in his tooth. Comedy, with Richard Wilson.

8.35 News and Sport: Weather.

9.05 Film: Firefox. Retired US pilot Clint Eastwood is persuaded to steal a supersonic jet fighter from the USSR. Action-packed thriller, with Frederic Jones and Warren Clarke (1982).

12.05 Film Extravaganza: Into the Light World Tour.

1.05 Weather.

1.10 Close.

BBC2

6.00 Open University.

12.15 Film: The Roaring Twenties. Classic gangster drama about a first world war veteran (John Goodman) who embarks on a life of crime after returning to Prohibition-era New York, with Humphrey Bogart (1939).

2.00 Apples and Honey. Linda and Paul McCartney's love for their thoroughbred horses, providing a unique perspective on the world of equestrian breeding and competition.

2.30 Scrutiny. Anne Perkins reviews the work of the parliamentary committees.

3.00 Film: Carve Her Name with Pride. The British widow of a French officer is enlisted as a spy during the second world war. Fact-based drama, starring Virginia McKenna and Paul Scofield (1958).

4.00 Golf: The Open. The closing stages of the third round from Tumberry. With most of the players back in the clubhouse, there's a chance for those still to complete their rounds to move up the leaderboard. Subsequent programmes may run late.

7.05 Film: The Eyes of Vichy. Claude Chabrol's political drama concerns the controversial history of the wartime French Vichy regime, which actively supported the Nazi and antisemitic policies (English subtitles).

9.05 Film: Seaford. George is delighted when Eileen finds him a job, and gives her a sweater as a thank-you gift - only to face humiliation when she learns he bought it at a bargain price.

9.30 The Jupiter Collision. New series. The Jupiter Collision. An investigation into the mysterious disappearance of one of the most galactic phenomena ever witnessed by mankind - the impact of a comet onto the surface of the largest planet in the solar system.

10.00 Film: The Open. Steve Rider introduces third-round highlights from Tumberry.

10.30 Film: Lacombe, Lucien. Louis Leterrier's drama about a French peasant who becomes a Nazi collaborator in his quest to join the Resistance is rejected. Picardie Bleue stars (1974) (English subtitles).

12.45 Film: Hitler's Children. A member of the Nazi Party attempts to rescue his lover when she is imprisoned in a labour camp. Drama, starring Tim Holt and Bonita Granville (1943).

2.10 Close.

SATURDAY

6.00 GMTV. 8.25 Game 5. 11.30 The ITV Chart Show. 12.30 pm Starting from Scratch.

1.00 ITN News; Weather.

1.05 London Today; Weather.

1.10 World Cup '94: LA. Brunch. Tony Francis previews tomorrow's final in Los Angeles with help from Jack Charlton, Denis Law, Ray Wilkins and Don Howe.

1.40 Movies, Games and Videos. Reviews of Maverick and The Beverly Hillbillies.

2.10 WCW Worldwide Wrestling.

2.50 Life Goes On.

3.45 Burke's Law. Amos rescues a beautiful priest eye as they both investigate the bizarre murder of a wealthy banker.

4.45 ITN News; Weather.

5.00 London Today; Weather.

5.15 Time Trial. Pilot episode. SF thriller about a 22nd century cop who chases a political assassin back in time to 1953. Date Midweek stars.

6.50 Celebrity Squares. New series. Bob Monkhouse hosts as guests including Joan Sims and Wendy Richard help contestants win cash and cars.

7.20 Stars in Their Eyes Final - Live. The stars in the final sing from the stage, take the audience on a tour of being crowned 1994 winner, with viewers voting by phone for the eventual winner. Hosted by Matthew Kelly.

8.30 ITN News; Weather.

8.45 London Weather.

9.05 Stars in Their Eyes Final - The Result.

9.05 Film: The Delta Force. An elite squad takes on terrorists who have hijacked a charter flight bound for Africa. Action adventure, with Chuck Norris, Lee Marvin and Martin Balsam (1985).

11.25 World Cup '94. Highlights of tonight's third-place final in Los Angeles, and a look ahead to tomorrow's final.

12.30 Tour of Duty.

1.25 Get Stuffed; ITN News Headlines.

1.30 The Big E; ITN News Headlines.

2.30 New Music.

4.20 BPM.

5.00 Hot Wheels.

LWT

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CHANNEL 4

6.00 4-7s on View. 6.35 Early Morning. 10.00 Trans World Sport. 11.30 Garlic Games. 12.00 The Big Eight. 12.30 pm A Girl's Guide/Ladyboy/English subtitles.

12.35 Film: Diana. A 16th century French countess falls for the king's son as she prepares him for his impending marriage. Historical melodrama, starring Liane Turner and Roger Moore (1955).

2.55 Racing from Newmarket. The 3.15 Food Brokers Aphrodite Stakes. 3.45 Primate Maiden Stakes. 4.15 Food Brokers Trophy, and the 4.45 Cheltenham Handicap Stakes.

5.05 Brookside; News Summary.

6.30 Opening Show. Film following 16-year-old guitar sensation Smokin' Joe Bonamassa, he visits Memphis to cut his first album.

7.00 Tour de France. Stage 12: The Pyrenees to Aibar. 224.5km. The riders leave the mountains and embark on a grueling six-hour stage.

7.30 Corrie, Domingo, Peverett, Meets in Concert. Another chance to see the unique 1990 concert filmed in Rome, as three of the world's greatest tenors joined forces for a musical extravaganza.

9.15 A Night with Derek: You Know What I Mean. Profile of director Derek Jarman, who died of aids-related illness earlier this year, shown with an introduction to a night of his films.

10.25 Film: The Tempest. Adaptation of Shakespeare's play, a tragic-comic fantasy set in a world outside time. Heathcote Williams and Toyah Willcox star (1980).

12.35 Film: The Last of England. Surreal montage depicting the decline of Britain through images of urban decay and political oppression. Tilda Swinton and Nigel Terry star (1987).

2.05 Film: Blue. Derek Jarman's unusual contemplation of life and death in which a blank blue screen is accompanied by a soundtrack of music, poetry and narration (1993).

3.30 Film: Sebastian. Striking account of the life of early Christian martyr St Sebastian, a Roman soldier beheaded by a remote military outpost.

4.20 Film: The Eyes of the Devil. With Leonardo Treviglio (1976). (English subtitles).

5.05 Close.

CHANNEL 4

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:

1.30 Movies, Games and Videos. 1.45 Angels News. 1.45 Nigel Mansell's IndyCar '94. 2.10 Game of the Last Apache. (1990) 3.30 Knight Rider 5.00 Angie News and Sport. 8.45 Angie Weather. BORDER:

1.30 Movies, Games and Videos. 1.45 Border News. 1.45 Nigel Mansell's IndyCar '94. 2.10 High School. 3.10 Nigel Mansell's IndyCar '94. 2.10 Border Weather. 4.00 Superstars of Wrestling. 5.00 Grampian Headlines. 5.05 Grampian News. 8.45 Local Weather.

CHESHIRE:

1.20 The Little Hobo. 1.05 Channel Diary. 1.40 Nigel Mansell's IndyCar '94. 2.10 Border Weather. (1989) 3.30 Macbeth. 4.00 Coronation Street.

GRAMPION:

1.20 Crime. 1.30 Grampian Headlines. 2.10 Knight Rider. 3.10 Nigel Mansell's IndyCar '94. 2.10 Border Weather.

WIRRAL:

1.20 The Little Hobo. 1.05 Meridian News. 1.40 Nigel Mansell's IndyCar '94. 2.10 Meridian Weather.

WELSH:

1.20 The Little Hobo. 1.05 Meridian News. 1.40 Nigel Mansell's IndyCar '94. 2.10 Meridian Weather.

WORCESTERSHIRE:

1.20 The Little Hobo. 1.05 Meridian News. 1.40 Nigel Mansell's IndyCar '94. 2.10 Meridian Weather.

WYRLEY:

1.20 The Little Hobo. 1.05 Meridian News. 1.40 Nigel Mansell's IndyCar '94. 2.10 Meridian Weather.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:

1.30 Movies, Games and Videos. 1.45 Grampian Headlines. 2.10 Knight Rider. 3.10 Nigel Mansell's IndyCar '94. 2.10 Meridian Weather.

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1.30 Movies, Games and Videos. 1.45 Knight Rider. 2

Private View/Christian Tyler

The gentle touch in a tough business

After work, mandarins are supposed to go to Covent Garden for the opera or, at a pinch, the ballet. Valerie Strachan, the most senior woman in the British civil service, likes to go Scottish dancing.

Times are changing at the summit of the Establishment, and will change again as a result of a white paper published this week. Strachan is a symptom of that change. The chairman of the board of Customs and Excise is a woman, but she is a woman who does not waste time pretending to be a man.

Appearances, we all know, are deceptive. So encountering an eager, chatty, smiling and feminine Permanent Secretary, Grade One, I was immediately on my guard.

Valerie Strachan is tall with a strong handsome face, wide mouth and innocent brown eyes. There is a look about her of those rangy female tennis players who used to bound about Wimbledom in the old days. Or one could imagine her as a painter and artist's model from the free-thinking, free-loving Bloomsbury Group.

Whatever the comparison, she appears altogether too jolly, too nice, to be running a government department charged with hunting drug-dealers, pornographers and smugglers, let alone enforcing the collection of VAT. There was something girlishly naive about the way, at the end of the interview, she confessed to a love of Highland dancing. Or was the naivety just a little bit calculated?

I asked her first if she had thought of feminising her title in order to reflect current fashion.

She had thought about it, she said, and was committed to equal opportunities but had decided against. "It's a traditional title and to have changed it would have been making a much louder statement than I wanted to make." Her staff have been told to call her "Valerie" or "Mrs Strachan", according to how well they know her.

By coincidence – if it is coincidence – the three top women in Whitehall all run law-enforcement agencies. The other two are Barbara Mills, Director of Public Prosecutions, and Stella Rimington, head of MI5, the domestic intelligence service. Did they talk to each other, as women?

"We do have chats about things," she said. "But it's sort of on the hoof, as it were... me saying to Stella as we go into permanent secretaries (the Wednesday morning meeting at the Cabinet Office): 'I know where you've got that jacket from; I must remember not to get the same one.' That sort of thing. Or talking a bit to Barbara about some equal opportunities issues."

Do the male permanent secretaries call you "The Girls"?

"No." She laughed scornfully. "No, nor do we call them 'The Boys'. I don't think they see us as a little tightly-knit group. Nor do we see ourselves as being a threatened minority. All of us have been around for a long time and know each other really quite well. So it's not an issue between us."

Does it not feel like a men's club?

"Mmm. Not particularly, no. There is a clubby atmosphere but it is the club of 20-hundred-many-it is people, each of whom is at the top of an organisation, all of the organisations having something in common."



mon. It is not like the Reform Club or whatever I imagine other clubs might be like."

Clubmanship, public school and Oxbridge are no longer essential qualifications for the mandarinate. Strachan herself comes from Hull, went to the local girls' high school and to Manchester University, is married to another civil servant and has two children.

It would be unsuitable to privatise VAT inspectors, for example.

Traffic wardens had been, I said. Why not VAT inspectors?

"I think VAT inspectors are having to exercise discretion and judgment all the time, every day of their lives. I think it is quite important that they should be publicly accountable."

Was there nowhere where efficiency was being won at the expense of public service?

"I think you have trade-offs, but there are all sorts of trade-offs. In real life there are trade-offs between efficiency and collecting the last penny of revenue, between obligations to get off the back of small business and tax morality."

So you are not going to be put on either side of this debate?

"I would like, please, to have my cake and eat it."

Vatwoman's main worry at present is the Vatman's public image. Do you mean, I said, that the department is hated by business?

"That's not what I mean, no. What I mean is... You haven't

mentioned the Citizens' Charter. I don't want to mention it, I said.

"No, I daresay you don't." She sounded sympathetic. "But we have got a lot of charter obligations. The tax man is never popular, the tax woman is never popular and I don't expect them ever to be. But I have felt that we could usefully soften the image we present while not losing our effectiveness. We are law enforcers, but we can be friendly law enforcers."

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do is not so much remove causes for complaint but be positively more helpful."

This week's white paper would put senior civil servants on personal contracts, with salaries set according to performance as judged by a company-style remuneration committee. They would no longer get a fixed rate according to seniority, and their jobs – some of them – would be open to outsiders.

The head of customs said the pro-

We can swing this one past her.?"

"No, I don't think they think that. They have probably learned that if I think something ought to be done, then I will be quite persistent in making sure that it does get done."

"I like working with people, and working in a co-operative way. But at the end of the day, once I've heard everybody's views and formed a view about how we ought to go forward then I will be quite persistent."

Can you be a brute when required?

"I don't set out to be a brute. I set out to achieve the desired result, preferably while making people feel..."

You mean they don't feel it while you kick them?

"I really do try not to kick people," she laughed, "because I never think bruises are the best way of achieving results. I mean, there will be times when I run out of patience and people are aware of the fact."

Do you mind confrontation? "No. I confront if I need to confront. But I prefer to operate without, you know, pinning somebody in a chair and saying 'You have done wrong.'

"I'm quite patient – most of the time." She laughed again and reached for a homely example. "Don't try me in the hairdresser's. I'm not patient there. One of the chief virtues of the man who dresses my hair at the moment is

that he does it on time. I hate being kept waiting."

I struggled to regain a footing. The art of dissembling, I said, must be in the armoury of any top civil servant.

"I don't think that's the way I operate. I suppose I would lie if I had to for my country. But on the whole I try and negotiate straight. (She led the negotiations on the European Union single market changes in VAT and excise duty collection, and is chairman of the world customs co-operation council.) "I do try not to dissemble. I'm not sure I could keep it up for long enough." She paused. "I don't suppose I always show all my negotiating cards."

I'm sure you don't, I agreed. You probably play poker till late at night wearing a green eyeshade.

"No, no." She laughed. "I have card games. It's a lovely picture though, isn't it?"

When, finally, I asked her if she had eyes on the pinnacle of the civil service, the Cabinet Office, she said she had not even begun to think about it. There were "hordes" of people – well, several at least – who would be obvious candidates.

But I got the strong feeling that Valerie Strachan would not be confused with maidenly blushes if the job were offered to her. Meanwhile it was time to pack up and get off to dancing class.

Valerie Strachan, chairman of the board of Customs and Excise, says she has 'no difficulty' with the changes proposed for the civil service in this week's white paper

Are you prepared to say the department has been heavy-handed in the past?

She paused and sighed. "No, that wouldn't be quite right."

Do you want to supply a better word?

"Let me think. Um. We have sometimes had a reputation for being heavy-handed. The reputation has been based on remarkably few instances. When we go out and actually ask people what they think of us and what they think of the service, people are on the whole pretty satisfied. What I am trying to

posed reforms only made explicit what was already implicit in the mandarin's terms of employment. She had "no difficulty" with the changes, she said, but was very anxious that her and her staff's performance should not be judged in crude terms – say, by the amount of revenue the department brought in.

Hoping to discover the steel behind those candid eyes, I said: "You smile a lot. Or is it just today?"

"No, I think I smile a lot. This may be, I have to say, a terrible character weakness." She smiled. So people think "She's a nice girl.

Dispatches/Cape Town

Selective amnesia heals the wounds

Pieter-Dirk Uys says that former terrorists and old fascists are now comrades-in-arms

"What did you do in the struggle? The battle for freedom? The apartheid years? Does anyone remember?"

There is an old Afrikaner ailment that seems to have reached epidemic proportions here in this most southern African land of rising hope. It is called Raubbenheimer's disease.

It is said that since then all Afrikaners have been born with a trace of Raubbenheimer's disease. In decent company it was merely whispered that these strange bearded and braided *volk* knew how to adapt and not to die. "Dann pragmatic" and "bloody unbalanced" were more often used to explain the strange ways by which Afrikaners turned the other cheek and then whipped round, guns ablazing.

We Afrikaners have always been great artists in absorbing – no, call it stealing. We would take something from another people, maybe a Dutch language, and unrecognisably beat it up to become Afrikaans. Or we would take a democratic Westminster system of government and beat it dry of its truth.

We even legitimised an inbred sense of racial madness, gave it an official Afrikaans name (that the English *spelt apart-hate*), wove it into our statute books "democratically" and ended up in the smelly corner of the world's classroom with a skunk's tail pinned to our backs.

But no more. Chalk has become cheese. The bad old days are gone. Mandela rules OK! Now, shockingly, it has become the time to be found, just as there had been no Nazis in Germany in 1945 (nor even, particularly, in Austria, Holland or France). No one recalls voting Margaret Thatcher into power all those years ago when British democracy

still had a ring of authenticity to it.

Some Afrikaners who swore bloody revenge on a democratically-elected, non-racial, non-sexist government are now swapping fond stories of election-day *brazzis* (barbecues) with their new non-white neighbours. Beers in hand, former terrorists and old fascists are comrades in arms a cloudburst over a squatter camp is no longer the result of bad nationalistic politics – only of bad weather.

Amnesties and amnesias seem to go together. There are now more free men on the street (and in parliament) with blood on their hands than in the prisons. Politically-motivated crimes, ranging from mass murder to messy murder, have a cut-off date – if you blasted your enemies away before the cut-off, you are fine.

During our past – until April 27

1994 – South African democracy was too good to share with just anyone. As a result, the world hated us. Now we are more of a democracy than Britain.

Good news is no news and at the moment nearly everything here is good news, give or take a couple of killings that last year would have been called a political massacre: now it is just the criminal element.

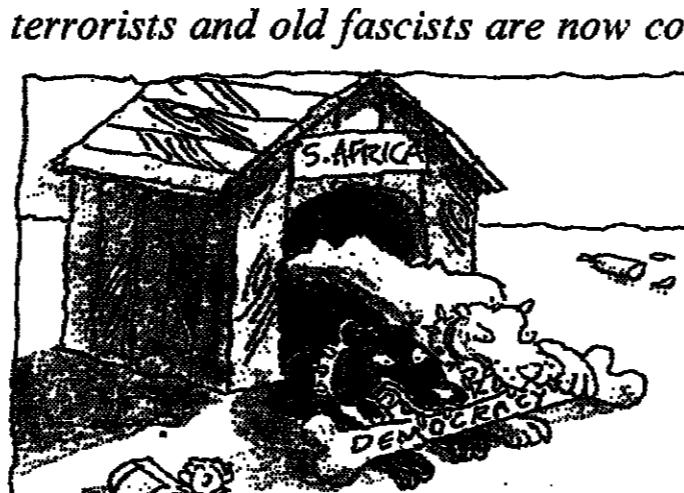
Everyone in government is united by salary and perks, from the old regime to the new extreme, from Chief Buthelezi to Winnie Mandela, the Black Evita, appointed not as minister of child welfare, which she had rehearsed for, but as deputy minister of culture ("Culture?" she said. "That's a funny post." Please do not send her a biography of Madame Mao.)

The world is still fascinated with South Africa, though no longer confronted by the nightmarish Munchies of black South Africa on the news, no longer turving the Outspan orange into the toilet; no longer wearing the "Free Mandela" T-shirt and feeling good for being so good.

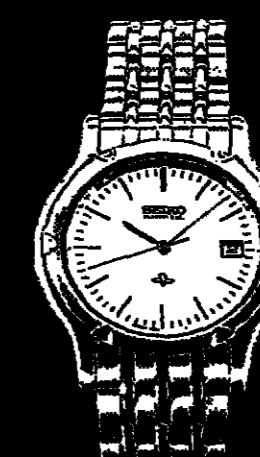
What now fascinates the world is this relatively well-educated, relatively civilised, relatively *relatively* pleasant group of white Christians (and Jews) who took the most beautiful country in the world and utterly and completely screwed it up – and nearly got away with it. And then turned round with a smile at the edge of the cliff and handed their only parachute to the former enemy.

I thought I started with a question. Perhaps I had the answer. I really cannot remember. Call it Raubbenheimer's disease.

■ Pieter-Dirk Uys is a South African satirist.



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